



No mood to party
'After peace with the Arabs, the next war will be between people here in Israel'



My US presidents
'Historian Paul Johnson gives his personal view of eight US leaders he has known'

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FINANCIAL TIMES

OCTOBER 18/19 1997



Fatal attraction
'The marriage between Guggenheim and Bilbao is at once preposterous and logical'



Port uncorked
'Jancis Robinson found a few surprises when she opened the vintages of the 1980s'

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http://www.ft.com

KPMG and Ernst & Young set to merge

Plan to create world's biggest accountancy firm

By Clay Harris and Jim Kelly in London

KPMG and Ernst & Young plan next week to announce a merger that would create the world's biggest accountancy firm.

Now the second and third-largest firms, their combined annual revenues of nearly \$18bn in 1996 would enable them to leapfrog the \$11.8bn total of Price Waterhouse and Coopers & Lybrand, which revealed plans to merge a month ago.

If both deals go ahead, the Big Six firms which emerged from the consolidation of the 1980s would be reduced to a Big Four.

The merger would increase concerns about reduced competition in auditing, especially in the UK. Only 12 FTSE 100 companies are not audited by a constituent of one of the two proposed mega-firms. KPMG audits 24, E&Y audits 18 while PW and Coopers

together account for 45. Dramatic client clashes loom. In the US, E&Y audits Coca-Cola, while KPMG Peat Marwick audits PepsiCo. Another potential conflict is Citicorp (KPMG) and BankAmerica (E&Y).

Like PW and Coopers, Ernst & Young and KPMG are expected to stress the need for greater size to meet clients' increasing demands for global services in areas such as computer systems, information technology, tax, business reconstruction and recruitment.

They can cite as evidence the rush of big international takeovers announced this week.

A senior executive at another Big Six firm said last night: "This is all about keeping up with the clients who are globalising fast. I'm just surprised it's taken so long for someone else to act."

Both merger plans will need the support of partners voting in each country in which the firms

operate, and the approval of regulators in Europe, the US and Japan. E&Y has a more globally integrated operation than its merger partner, as KPMG is widely seen as a looser federation of national firms.

Both firms refused to comment last night, but KPMG partners have been called to an urgent meeting in the UK on Tuesday. E&Y partners in the UK met in Birmingham yesterday.

Other Big Six firms believe that while KPMG and E&Y may be sincere about their merger plans, the move may also be designed to force regulators to look at both planned mergers at the same time - possibly resulting in both being blocked.

"This forces the regulators to look at both plans - it may well be a spoiler and we have been expecting that for some time," said a senior partner at another Big Six firm.

The move will focus attention on the Big Six firms which have been left out of the current round of merger proposals - Andersen Worldwide and Deloitte Touche Tohmatsu International. Andersen, now the largest with 1996 revenues of \$9.5bn, would fall to third place while Deloitte's would lag with \$6.5bn.

Deloitte is understood to have been in talks with E&Y as recently as 10 days ago, but discussions are believed to have foundered on disagreement over job security for partners.

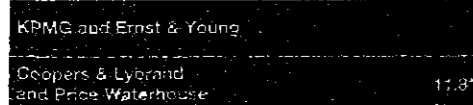
Andersen Worldwide is made up of two separate global organisations, accountants Arthur Andersen and Andersen Consulting. It is involved in a complex internal debate over governance but may now be forced to consider a merger.

Additional research by Peter Cheek and David Snaddon

Lex, Page 24

Global accounting: more concentration in store?

Fee income (\$bn)



* Assuming the merger goes ahead
Source: International Accounting Bulletin, Dec 1996 World survey

KPMG ERNST & YOUNG

A hero's farewell for Che Guevara



Thousands of Cubans wait for Che Guevara's memorial service in Santa Clara yesterday. At the ceremony, Cuban president Fidel Castro praised him as a 'moral giant'. Top place in pantheon, Page 3

Japan and US move to avert trade war over ports

By Mark Suzman in Washington and Michio Nakamoto in Tokyo

Japan and the US were trying to head off a trade war yesterday as they opened emergency talks over a threat by an independent federal agency to bar entry to US ports for Japanese cargo ships, until their parent companies paid \$4m in outstanding fines.

The decision, taken by the Federal Maritime Commission, was due to take effect late yesterday afternoon. But the US Transportation Department said that implementation of the unprecedented measure would be delayed at least until today, adding: "We're hoping to resolve this thing through negotiations, not sanctions."

The threat marks an escalation in the dispute between the two countries over what the US claims are restrictive port prac-

tices in Japan. It prompted an angry letter from Takao Fujii, Japanese transport minister, to his US counterpart Rodney Slater warning it could damage "the whole Japan-US relation".

Officials from the US state and transportation departments opened emergency talks with Japan's ambassador to Washington Kunihiko Saito to try to resolve the issue, while negotiators from both countries continued their marathon discussions, which began late last week.

Robert Rubin, Treasury secretary, and Charlene Barshefsky, US trade representative, met White House officials to consider the administration's response.

The president is empowered to overrule the ban if he feels it jeopardises national security, but that is seen as unlikely. The three shipping lines affected - Nippon Yusen, Mitsui OSE Lines

and Kawasaki Kisen - have refused to pay the fines, due on Wednesday, while discussions continue. The FMC imposed the sanctions - the first against Japan in a decade - to try to force the government to help and costly restrictive practices by the Japanese Harbour Transportation Authority, which dominates stevedoring in Japanese ports.

After the shipping lines' refusal to pay, the four-member FMC voted unanimously to impose the ban. Little-used 1930 legislation empowers the agency to take action against foreign shipping lines if their home countries are seen as discriminating against US cargo companies.

A ban would be devastating for the three companies and could have severe knock-on effects in both economies. Asia-US trade accounts for a third of the Japanese container business.

UK set to rule out early Emu membership

By Robert Peston, Political Editor

The UK has, in effect, ruled out joining a single European currency before the turn of the century, a government statement is expected to imply.

Although the declaration, due in the next few weeks, will say there are no objections in principle to sterling participating in monetary union, it is expected to rule out membership while the UK's economic cycle is out of step with the Continent's.

This would mean sterling remaining outside until at least 2000, based on internal Treasury projections of when the economic cycles may become more closely aligned.

The precise wording of the statement is immensely sensitive, both in respect of its impact on markets and in shaping the UK's future influence in the European Union.

The Financial Times's recent disclosure that the government was adopting a more positive approach to Emu led to a record rise in share prices and a sharp fall in the value of sterling.

Tony Blair, the prime minister, wants to retain an element of flexibility about when the UK joins, without making himself vulnerable to constant questioning about the precise timing.

He and Gordon Brown, the chancellor of the exchequer, believe they can purchase breathing space by pinning sterling's entry on a requirement for the economic cycles to become more closely aligned.

They hope their approach will be understood by EU governments, given the sharp disparity between UK and German interest rates. However, without a formal timetable for sterling's entry, other government heads are expected to question Mr Blair's commitment and refuse to classify sterling as a currency only a step away from membership.

News General

US factory output surges

US industrial production surged by a seasonally adjusted 0.7 per cent last month, the Federal Reserve reported, confounding financial market hopes of a slowdown in the recent rapid pace of economic growth, and raising the prospect of an early increase in interest rates. The rise was led by a sharp increase in production by electricity and gas companies. Page 4

Pressure mounts over Swiss bank accounts: More than 800 state and local government officials in the US plan to meet in New York next month to discuss ways of increasing pressure on Swiss banks to disclose information about dormant bank accounts from the second world war. The move comes amid evidence that some US states are starting to boycott Swiss banks. Page 2

Oil companies rush to Sakhalin island: Sakhalin, a Russian island north-east of Japan, is being transformed from a bleak outpost of communist autarky into one of the world's most tantalising capitalist frontiers as foreign oil companies rush to finish exploratory drilling before the seas freeze over for the winter. Hopes are rising that Sakhalin can supply much of Asia's fast-growing energy needs. Page 3

Indonesia awaits monsoons: Indonesia's fires do not rage through the forests: they sneak through the peat swamps of Kalimantan and Sumatra, invisible at times to both human eye and satellites. They are man-made - started to clear land for small-time farmers and vast commercial palm-oil plantations. Large parts of Indonesia's archipelago are still wrapped in a choking haze and only a full-scale monsoon will extinguish the fires. Page 7

Ten years after Black Monday

Would a repetition of the 1987 crash really matter? The cooling effect of a stock market correction could be a blessing in disguise. The real worry for policymakers - as in 1987 - is the risk of serious disruption to the banking and financial systems when deciding how to respond. Page 6

News Business

Talks on MCI set to start

Two sets of tripartite talks involving the companies bidding for MCI Communications are set to begin shortly amid continued speculation that two of them - WorldCom and GTE - are considering raising the value of their competing offers. Discussions involving MCI, British Telecommunications, WorldCom and GTE will follow agreement between MCI and BT to relax rules which prevented talks with other companies taking place. Page 24; Editorial Comment, Page 6; Return of the Junk bond king, Page 7

France Telecom sell-off breaks records: France's Socialist government trumpeted the unprecedented popular success of the partial sell-off of France Telecom, despite its ambivalence towards privatisations during the election campaign. The operation broke all French records by attracting 3.5m individual investors. Trading begins on Monday. Page 24

European stocks follow Wall Street's decline
European stock markets drifted lower yesterday in response to worries about Wall Street, which followed Thursday's 119 point decline with an early 80-plus point drop. A wave of mergers and acquisitions, which appeared to indicate that the corporate sector was preparing for economic and monetary union, marked the start of the week. One of the best performers was Italy, which gained 3.1 per cent on the week, on relief that the political crisis about the Budget had been resolved. Page 21; London stocks, Page 17; Lex, Page 24; Markets, FT Weekend Page XXXII

Goldman Sachs and Yasuda in property link: US investment bank Goldman Sachs has established a co-operation agreement with Yasuda Trust, a Japanese trust bank, to develop property business. The move comes as international investors are starting to express interest in the Japanese market after its collapse in the late 1980s. Page 24

McDonald's problems worsen: Problems at McDonald's, the US burger chain, turned from bad to worse in the third quarter as the stronger dollar took its toll on overseas profit growth, the company said. US profits continued their poor performance with a 2 per cent decline. However, overall net earnings edged ahead 3 per cent from \$40.6m to \$44.8m. Page 23

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*Source: Morningstar. Due to other gross income movements in US, 1.1.87 - 1.1.97. Since launch performance: China Fund (15.1.87-30.9.97), Madras Indian Equity Fund (15.1.87-30.9.97). (Published by Guinness Flight Fund Managers). Past performance is not necessarily a guide to future performance. The value of the underlying securities and the income from them and changes in interest and exchange rates may affect the value of the fund. Investments in the fund are subject to the risk of loss. The fund is not insured. The fund is not a bank deposit. The fund is not a share in a company. The fund is not a contract of insurance. The fund is not a contract of investment. The fund is not a contract of sale. The fund is not a contract of purchase. The fund is not a contract of exchange. The fund is not a contract of loan. The fund is not a contract of deposit. The fund is not a contract of custody. The fund is not a contract of management. The fund is not a contract of administration. 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NEWS: EUROPE

US conference to examine ways to press Swiss banks over information disclosure

Pressure mounts over Holocaust assets

By John Authers in New York and William Hall in Zurich

More than 800 state and local government officials in the US have been summoned to a conference in New York next month to discuss ways of increasing pressure on Swiss banks to disclose information about dormant bank accounts from the second world war.

The move comes amid evidence that some US states are already starting to boycott Swiss banks.

Alan Hevesi, the New York city comptroller, who dropped UBS last week as lead manager of a \$1bn

city financing, has invited insurance and banking regulators as well as local pension fund officials to New York on December 8 to discuss ways of co-ordinating their approach towards the Swiss banks. The conference has been launched following growing impatience among many local US officials at the Swiss banks' slow pace in dealing with the issue of the dormant bank accounts of Holocaust victims.

On Tuesday Matt Pong, treasurer of California, the biggest state in the US, halted dealings with Swiss banks. He said in a statement that the moratorium was "not imple-

mented to punish, but rather to encourage Swiss banks to increase their efforts to disclose information regarding dormant bank accounts from the second world war era." Judy Bear Topinka, Illinois state treasurer, said on Thursday that she would find it "increasingly difficult" to do business with Swiss banks "under current circumstances".

Swiss banks this week launched a worldwide advertising campaign to highlight the "significant progress" they have made in identifying dormant accounts, providing financial help for needy Holocaust survivors, and returning assets to

their rightful owners as quickly as possible and at no cost.

In July they released a list of 1,785 names of foreign-owned dormant accounts totalling SF61.2m (\$62m) and on October 29 they are due to release a second list of just under 3,700 names of accounts totalling SF6m. In addition they will publish a first list of 10,000 domestic dormant accounts totalling SF12m dating back to the second world war.

The extra information being supplied by the Swiss banks has done nothing to quieten the Swiss banks' fiercest critic, Alfonso D'Amato, chairman of the US Sen-

ate banking committee. In a letter this week to Georg Kreyer, president of the Swiss Bankers Association, the US senator said that the Swiss banking system "has lost all credibility and cannot be trusted".

He said the banks had "tried their best to stall the world community, in a blatant effort to keep money that is not theirs and to cover up past injustices".

Senior US government officials have said that the latest moves against the Swiss banks are "counter-productive" and Mr Hevesi's office yesterday was keen to play down the significance of recent events.

Yeltsin tames wild-eyed deputies in Duma

After a stormy week in parliament president promises uneventful autumn in which Russians can look forward to 'pickling cabbage'

With a victor's self-confidence, President Boris Yeltsin yesterday reassured the Russian people that this week's parliamentary drama would not affect their daily lives and called on lawmakers to reach a compromise with the government.

In his weekly radio address Mr Yeltsin couched his words in the homely phrases which are his hallmark. The Kremlin chief

promised Russians that, notwithstanding the heated rhetoric in parliament this week, this autumn would be "an ordinary one" for the country's common people, "a time for pickling cabbage, for preserving produce for the winter".

The president's folksy pledge followed a week which has yet again displayed the Kremlin's mastery over the Russian political scene. Two conciliatory telephone calls from Mr Yeltsin were enough to transform the wild-eyed deputies of the Duma, the lower house of the Russian parliament, into meek advocates of compromise.

Minutes after Mr Yeltsin's intervention, the Duma, which is dominated by leftist opposition parties, dropped its plans to hold a vote of no confidence in the government, a move which some

ministers had warned could jeopardise Russia's fragile economic recovery.

Communist leaders, who initiated the no confidence vote, said they would reconsider the issue next week, but analysts are almost uniformly convinced that the jittery lawmakers will again lack the nerve. "The parliament completely misused," the chief economist at a leading western investment bank said. "That makes them look pretty silly and pretty weak. I would be very surprised to see any kind of vote next week."

The Duma's failure to act on its angry rhetorical opposition to the government - in a display of political theatre which has become almost an autumn ritual in Russia - has investors cheering. After nearly a decade of sustained economic depression, Russia at last seems on the brink of economic recovery.

A messy showdown between obstreperous parliamentarians and the cabinet ministers warned, might yet again ruin the long-awaited upturn. "The result of this week's events is the reinforcement of the government's position," said Pavel Teplukhin, president of Troika-Dialog Asset Management. "For investors I would say that is a 'buy' signal because the general perception is that the government is more reformist than the parliament."

The verdict of the marketplace is shared by western governments, which are uniformly sceptical of the Communist-dominated, often disorganised Duma and strongly supportive of the reformist cabinet, which one senior US official has described as a "dream team". But there may be a problem. Some Russian observers warn that in the long-run a feeble Duma could be a liability.

Nikolai Petrov, programme director of the Moscow Carnegie Centre, argues that the Duma's weakness is not only the



A relieved looking Victor Chernomyrdin (left) and Boris Nemtsov (right) manage a smile during Wednesday's tense session of the Duma, when deputies delayed voting on a no confidence motion after the unexpected intervention of the president.

fault of disorganised deputies but is primarily due to Russia's presidentially dominated constitution, pushed through in 1993 by Mr Yeltsin after a bloody clash with the parliament. "It is almost a joke," Mr Petrov said. "The Duma is so poor and so dependent that last year it was even in a situation in which it could not afford to buy the paper it needed on which to print laws."

Even the power to approve the budget, the Duma's greatest prerogative and the root of this week's conflict,

can be effectively neutralised by the government. This year, for example, in the interests of fiscal probity, the cabinet produced and abided by its own streamlined budget which deviated hugely from the bill which had been passed by the Duma.

By ignoring the parliament's budget and pushing ahead with its own, more strict, programme, the cabinet contributed mightily to this autumn's tentative economic upswing. But Mr Petrov warns that, in the longer

term, Russia may come to regret having harnessed an almost omnipotent executive with an emasculated legislature.

"The president's power's are almost absolute, he is almost an elected autocrat," Mr Petrov said. "We have no guarantees against the appearance of a fascist or authoritarian leader. More normal democracy may not be so convenient at every moment, but it is better insurance against extremes."

Chrystia Freeland

INTERNATIONAL NEWS DIGEST

Poles close to coalition deal

Poland's trade union-led Solidarity Electoral Action (AWS) movement and the pro-business Freedom Union (UW) party reported yesterday that they were close to establishing a coalition to govern the country for the next four years.

The two groups' optimistic statement came as Jerzy Buzek, a 57-year-old chemical engineering professor, was formally nominated as prime minister by President Aleksander Kwasniewski, who is a former leader of the reformed communist Left Democratic Alliance (SLD) defeated in last month's elections.

Marian Krzaklewski, the head of the AWS and Leszek Balcerowicz, the UW leader, said yesterday their talks had "reached such a level of agreement that it could be said that a coalition will be established". The cautious statement suggested that the two sides are confident they will surmount remaining policy differences but that they still have to reach consensus on the division of posts in the government.

Christopher Bobinski, Warsaw

UN AND IRAQ

West split on sanctions

Russia and France last night parted company with Britain and the US on what action the UN security council ought to take in response to Iraqi intransigence.

London and Washington have proposed a travel ban on senior Iraqi military and other officers responsible for blocking UN inspections of weapons facilities. Moscow countered with a text that would allow "further measures" if the Iraqis failed to comply with UN orders.

France appeared to side with the Russians. Alain Dejamane, its delegate, noted that the UN inspection team had not asked for new sanctions in its report on the situation issued last week. But other diplomats observed that it was not customary for a UN official to make such a proposal.

Iraq has threatened to stop all co-operation with the inspectors if further sanctions are imposed and Juan Somavia, the council's president, said members did not "react well" to that. The council will take up the question again on Monday and a vote is expected later in the week.

Michael Littlejohns, New York

SWISS FRAUD CASE

Fugitive loses appeal

Werner Rey, a Swiss financier wanted by the Swiss police in connection with several charges of alleged bankruptcy fraud, has lost his second appeal against extradition from the Bahamas. He is still being held in prison in the Bahamas, and his lawyers plan an appeal to the UK Privy Council.

Swiss authorities claim that Mr Rey defrauded investors in Europe of more than \$1bn, and had debts of \$2.5bn when his investment business collapsed in 1991. Mr Rey, 54, was arrested in the Bahamas 18 months ago. The Swiss police said he is wanted on charges of fraudulent bankruptcy and business fraud.

Camille James, Kingston

PALESTINIAN ECONOMY

Signs of recovery

The Palestinian economy is picking up, boosted by trade and a gradual fall in unemployment, according to the quarterly report published yesterday by the United Nations Special Coordinator in the Occupied Territories (UNSCO). But border closures imposed by Israel on the West Bank and Gaza during August and September have undermined the significant economic recovery.

During the first six months of the year, the volume of goods leaving and entering the West Bank and Gaza rose one-third compared to the same period the previous year. Truckload exports rose an estimated 37.3 per cent and imports grew by 32.4 per cent.

Full employment rose from an average of 64.1 per cent during 1996 to 70.3 per cent during the first quarter of this year, bringing the average unemployment rate down from 24 per cent to about 20.5 per cent. However, the Palestinian Central Bureau of Statistics warned that these figures do not include those no longer seeking jobs. The PCBS reckons the actual unemployment rate in the West Bank and Gaza was 48.1 per cent during the first quarter of 1997.

Judy Dempsey, Jerusalem

HUNGARIAN POLITICS

Nato vote will go ahead

The Hungarian government has changed course once more on the vexed question of whether to hold a referendum on Nato membership on November 16. Gyula Horn, the prime minister, announced yesterday that the referendum would go ahead as planned after saying on Thursday that the government might decide on membership without referring the question to a vote.

Mr Horn said it was necessary to demonstrate public support for the alliance before the start of negotiations to join the alliance. He said he was confident of a "yes" vote in the referendum.

Holding the Nato vote separately from a referendum on foreign ownership of land, planned to accompany it, will require a two-thirds parliamentary vote to reverse an earlier decision. All the main parties support Nato membership.

Anatoli Liever, Budapest

RUSSIAN CRIME

A trainload of hooch

Police in St Petersburg seized nine rail cars containing approximately 630,000 bottles of counterfeit vodka bearing forged excise stamps, it was reported yesterday. Police say the vodka was produced in distilleries in the Russian Caucasus republic of North Ossetia.

Dozens of such distilleries operate in North Ossetia despite measures by the federal government to stop illegal vodka being produced and transported to other parts of Russia. Recent crackdowns have forced illegal producers of alcohol in newly independent states to seek other routes into Russia.

AP, St Petersburg

ICELAND ECONOMY

Boost for aluminium output

Olafur Ragnar Grimsson, Iceland's president, yesterday inaugurated the expansion of the Alusuisse aluminium smelter at Straumsvik, which will provide a powerful boost to his country's economy.

The new production line, which has increased the smelter's annual capacity by 62,000 tonnes to 162,000 tonnes, was brought into operation in July three months ahead of schedule and at a cost of SF214m (\$147m), 15 per cent below budget. This would have a beneficial effect on the plant's economics as it would produce an extra 14,000 tonnes of aluminium this year, said Kurt Wolfensberger, head of the Swiss group's aluminium division.

The expanded smelter will permanently add 1 per cent to Iceland's gross domestic product and account for between 10 and 15 per cent of its merchandise exports.

Iceland expects to attract more aluminium smelting capacity by offering low cost hydro-electric power to an industry that uses vast amounts of energy. Construction of another 60,000-tonnes smelter has already begun and two further projects are being discussed with potential foreign investors by Landsvirkjun, the state power supplier.

Kenneth Gooding, Reykjavik



JANUARY 28 - 31, 1998

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مكتبة الأخبار

Malaysian budget moves to cool credit

Malaysia yesterday proposed a belt-tightening budget that analysts said might offer support to its battered currency and stock markets. Budget reports from Kuala Lumpur.

The budget was seen as one of the most crucial in the country's history following the regional currency crisis in Asia, which has seen the Malaysian ringgit plunge 27 per cent against the US dollar since July 1.

Anwar Ibrahim, finance minister, read out the measures in a 90-minute address to parliament that included sprinklings of Malay proverbs, a verse from the Koran and a quote from a Tamil poet.

The 1998 budget, a M\$84.12bn (US\$20bn) austerity plan, contained measures to cool the growth in credit and imports.

"The budget this time will not affect genuine investors, especially those setting up factories, manufacturing goods and doing business in the country," Mahathir Mohamed, the prime minister, said.

In a bid to stay competitive with its neighbours, Malaysia also proposed a cut



Watched by Mahathir Mohamed, finance minister Anwar Ibrahim delivers a budget seen as a sensible and intelligent response to the Asian financial crisis

in corporate taxes to 25 per cent from 30 per cent. Singapore's tax rate is 26 per cent.

The budget, a 1.9 per cent increase in spending from this year, projected 7 per cent economic growth in 1998 following a decade of 8 per cent a year or faster expansion.

"Overall, much of it has been expected and already played out in the market," said Simon Flint, regional economist at IDEA in Singapore. "Still, it's a sensible and intelligent response to the situation at hand."

Financial markets looking for tough action gave a lukewarm response to the package.

Disappointment pushed the Kuala Lumpur stock market index down 7.22 points, or 0.90 per cent, to a close of 784.80, while the ringgit slid to 3.2725/\$.

Contagion from Thailand's economic crisis and concerns about the quality of economic expansion in Malaysia has sent Malaysian stocks down about 35 per cent.

The ministry of finance, in its annual economic report, said it expected about M\$13.9bn in short-term capital to leave the country this year resulting from the turmoil in the region's financial markets.

But Malaysia has pledged to set its house in order, and has said it intends to reduce the current account deficit to 5 per cent of gross national product or an estimated total of M\$13.08bn this year. That is an improvement over 1996's 5.2 per cent.

Higher duties on imports of cars and selected consumer goods and restricted heavy machinery purchases were announced. Tax breaks for a variety of sectors including petroleum, insurance and education will be provided.

Seeking to head off potential banking problems, Malaysia said its central bank was tightening rules on the classification of non-performing loans to three months in arrears from six months and raising general provisions to

Thailand approves crisis decrees

By Ted Bardache in Bangkok

Thailand's cabinet yesterday provisionally approved five emergency decrees designed to restructure the country's financial system, but delayed implementation for several days until they are fine-tuned by legal experts.

The delay disappointed Thailand's financial markets, which had expected more details of the restructuring plan to be announced with the approval of the decrees. The Thai stock market closed down 1.1 per cent, while the domestic rate for the baht was B\$36.80 to the dollar, compared to B\$36.68 on Thursday. Offshore the baht continued its four-day slide, closing at B\$37.25 to the dollar, compared to B\$36.95 on Thursday.

Chaiyawat Wibulsawadi, central bank governor, admitted cabinet members had raised some objections to provisions in the decrees, but claimed the changes required were "so minor that I didn't pay attention to what they were".

Central bank officials did confirm that all commercial banks and finance companies would be required to make general provisions of 1 per cent of all loans but declined to give a starting date for that requirement. Banks and finance companies will also have to contribute 0.4 per cent of both loans and deposits to a new government-run deposit insurance scheme.

Officials also explained how all creditors to finance companies which were liquidated would be treated equally. All assets of a liquidated finance company would become the property of the newly established Financial Restructuring Authority (FRA) and would be auctioned.

Thailand yesterday rescinded, after a public outcry, a 3 per cent oil tax rise three days after passing the measure.

his Marxist roots, he liberalised the economy and improved ties with the west.

He said on Thursday that he would announce a national unity government over the next few days to run the country during an unspecified transition to a presidential election.

Top place for Che in Cuba's new pantheon

By Pascal Fletcher in Santa Clara, Cuba

Cuba buried Che Guevara yesterday after a week of carefully choreographed official mourning which revived the legendary guerrilla fighter's memory as a refurbished ideological symbol for President Fidel Castro and his socialist government.

The remains of Ernesto Guevara - always known as "Che" - had been lost for three decades since he was captured and shot by the Bolivian army. They found their final resting place in a specially built mausoleum in the central Cuban city of Santa Clara. Six of his comrades from Bolivia were also interred there.

The ceremony was attended by Guevara's widow Aleida and Mr Castro, who read a tribute to Che, praising him as a "true communist" and a "moral giant" whose reputation and example continued to reverberate around the world.

The event was the culmination of a week of official remembrance for the Argentine-born doctor who shot to fame in Mr Castro's 1959 Cuban revolution and went on to embody the spirit of revolution the world over. The Cuban leader welcomed the return of the bodies of Che and his comrades as "a reinforcement" for Cuba.

Mr Castro, 71, now in his fourth decade in power, sees Guevara's enduring popularity among leftist idealists and revolutionaries as an asset in his crusade to preserve Cuba's socialist system in a world he believes is dominated by "imperialism" and "neo-liberalism".

"This land, this people, this revolution, that are yours, are still flying the flags of socialism," Mr Castro said.

Over six days, tens of thousands of Cubans had dutifully filed past Che's casket remains, which had lain in state first in Havana

Foreign forces decisive in overthrow of president in oil-rich African nation

OAU appeal over Brazzaville troops

By Our International Staff

Forces loyal to Denis Sassou-Nguesso, Congo-Brazzaville's former military ruler, consolidated their hold on the country yesterday amid growing international concern over Angola's intervention in the conflict and stability in the oil-rich region.

Yesterday the Organisation of African Unity (OAU) joined the United Nations in calling for an end to the fighting and the withdrawal of foreign forces - a reference to Angolan troops operating out of its Cabinda enclave.

In a statement from Salim Ahmed Salim, secretary-general, the OAU said it urged "all parties to end the killings and the untold suffering that has been unleashed on the innocent people... as well as the senseless destruction of infrastructure."

The deployment of Angolan troops proved decisive in Gen Sassou-Nguesso's victory earlier this week over President Pascal Lissouba, alarming Washington and the United Nations.

Both fear that the overthrow of a constitutional government in the Congo, formerly Zaire, and the involvement of foreign forces in the Brazzaville conflict could destabilise the region.

Gen Sassou-Nguesso's victory on Wednesday came only hours after Kofi Annan, UN secretary-general, asked the Security Council to send a peacekeeping force to Congo-Brazzaville.

But the US and others have refused since July to give the go-ahead for the force until the two sides accept a genuine ceasefire and a plan for a peaceful settlement.

President Lissouba has remained in hiding and refused to concede defeat, despite the loss this week of the capital Brazzaville and the oil centre, Pointe Noire.

But there appeared little Mr Lissouba's forces could do to dislodge Gen Sassou-Nguesso's Cobra militiamen and allied Angolan troops.

Pointe Noire under Mr Lissouba was one of the last neighbouring supply bases for the Angolan government's former civil war rivals Unita, hence Angolan support for Gen Sassou-Nguesso.

Unita and the Angolan government fought a 20-year civil war until 1994, when they signed a peace treaty, but the former rebels have been slow to disarm their guerrilla army and surrender their weapons under a UN supervised peace plan.

Observers in the region say Angola deployed about 1,000 of its troops into Congo-Brazzaville at the weekend from Cabinda, whose offshore oil-fields produce the bulk of the country's 720,000 barrels a day output.

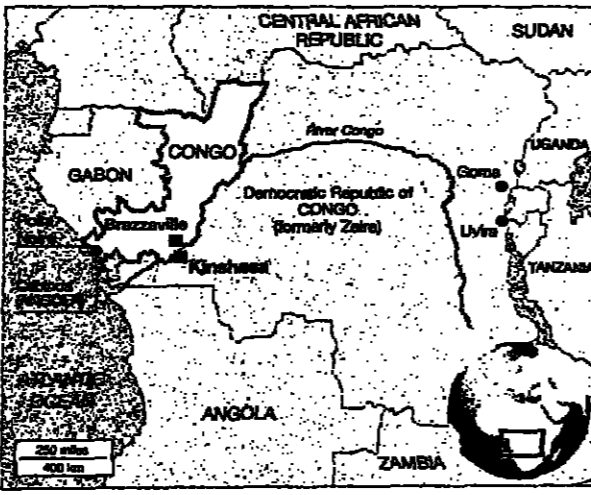
Angolan troops' intervention, and reports that they virtually control Pointe Noire, raised fears that the conflict could spread as old alliances and rivalries resurfaced, and the neighbouring Congo was sucked deeper into the dispute.

During recent visits to the Congo capital of Kinshasa, Mr Lissouba had sought assistance from President Laurent Kabila.

Mr Kabila, who seized power there in May after an eight-month rebellion, has been seen by Gen Sassou-Nguesso as siding with Mr Lissouba. Several shells fired from Cobra positions in Brazzaville landed across the river in Kinshasa.

The simmering rivalry between Mr Lissouba and Gen Sassou-Nguesso exploded on June 5, when Mr Lissouba sent in his troops to disarm Gen Sassou-Nguesso's militia in advance of presidential elections that both men planned to enter.

Gen Sassou-Nguesso, 54, ruled from 1979 until the advent of multiparty politics in the early 1990s. Despite



Oilmen rush to unlock riches of Russia's convict island

By John Thornhill in Sakhalin

Once only convicts travelled to Sakhalin, now, it seems, only foreign oilmen make the trip. The mysterious Russian island, north-east of Japan, is steadily being transformed from a bleak outpost of communist autarky into one of the world's most tantalising capitalist frontiers.

As foreign oil companies rush to finish exploratory drilling before the seas freeze over for the winter, hopes are rising that Sakhalin can supply much of Asia's fast-growing energy needs early next century.

Multinationals such as Exxon, Mobil, Marathon, Shell, Mitsui, and Mitsubishi as well as local Russian operators are planning to invest more than \$40bn to develop some of Sakhalin's virgin offshore fields. "This is the beginning of a new oil province, not quite on the scale of the North Sea, but significant nonetheless," says Frank Duffield, president of Sakhalin Energy Investment, which aims to start production in 1999.

A century ago Anton Chekov visited Sakhalin -

describing it as the "shape of a sturgeon and twice the size of Greece" - to experience life in Russia's far east and expose the inhuman conditions of Tsarist prison camps.

In the great Russian writer's account, Sakhalin was a cruel land where overworked, underfed convicts died young, where desperate men pursued women like "schools of whales after runs of herring", and where the

1991 severed many of Sakhalin's economic ties with mainland Russia which were established more for political reasons than market ones.

The island's fishing, coal, timber and on-land oil industries have all suffered sharp drops in output, while the local administration is still struggling to come to terms with the human and financial costs of a 1995 earthquake which destroyed the northern town of Neftegorsk and killed more than 2,000.

Igor Farkhutdinov, Sakhalin's governor, says 150,000 people have left the island over the past five years as the economy has crumbled and living conditions deteriorated. Sakhalin's economic committee estimates 54 per cent of the population of 710,000 lives below the poverty line.

Unlike many other regional governors, Mr Farkhutdinov has been trying to create a more favourable climate

for foreign investors in the face of opposition from Russia's communist-dominated parliament. Full development of the offshore oil projects still depends on the adoption of more predictable laws defining the legal and tax regimes.

Described by a foreign oilman as "one savvy dude", Mr Farkhutdinov says he welcomes foreign investment as a means of improving living standards. "It is a lot more difficult to live here than in other regions because of the high prices for goods and the expense of air tickets," he says.

But a local journalist says Sakhalin's residents remain wary of foreign investors because of ecological and political concerns. "Our nature is unique. When the oil companies say everything will be okay we do not know whether to believe them," she says. "In Soviet times, everyone said it would be bad if foreign investors came to Russia. It would be dangerous for the population. We do not know whether we should believe that either," she says. "We have not yet felt the benefits of their early investments. Nothing has changed for the better."



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They are Thomas Haug (Telia, the Swedish telecom operator), Heikki Huttunen (Nokia Oy) and Jan Uddenfeldt, Vice President of

Technology at Ericsson Radio Systems (pictured here).

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NEWS: INTERNATIONAL

US surge sparks rate rise fears

By Gerard Baker
in Washington

US industrial production surged last month, confounding financial market hopes of a slowdown in the recent rapid pace of economic growth, and raising the prospect of an early increase in interest rates.

Output grew by a seasonally adjusted 0.7 per cent in September, the Federal Reserve reported yesterday, led by a sharp rise in production by electricity and gas companies. The increase was the 14th straight monthly gain by the resurgent US industrial sector.

Though the jump in power utilities' output, by 4.4 per cent, was the main reason for September's increase, broad-based manufacturing growth has remained strong over the last few months.

Factory output grew by 0.4 per cent last month, and expanded at an annual rate of 8 per cent in the three months to September, following increases of 4.1 per cent and 6 per cent in the previous two quarters.

Financial markets were unnerved by the report. Bond prices fell, as investors interpreted the figures as increasing the likelihood that the Fed would raise interest rates, perhaps as early as next month. Stock prices also dropped. By 1pm the Dow Jones Industrial average was down almost 100 points at 7,841, following a 100-point fall on Thursday.

The most worrying aspect of the report for financial markets was the indication of emerging inflationary bot-

tlenecks in American industry. The capacity utilisation rate, an estimate of the proportion of industrial capacity in use and of industry's ability to meet extra demand without raising prices, rose to 84.4 per cent from 84.1 per cent in August.

Although much of that rise was also attributed to increased utilities' output, manufacturers' capacity use also edged up to its highest level since April 1995, and close to the rate normally associated with rising price pressures in the past.

In another report published yesterday, the Commerce Department said new housebuilding also rose strongly last month. Housing starts increased by 7.9 per cent to a seasonally adjusted annual rate of 1.5m in September, following revised declines of 5.1 per cent in August and 2.5 per cent in July.

Both reports suggest the US economy maintained a hectic pace throughout the third quarter - growth overall in the three months to September is expected to have been more than 3.5 per cent, following 3.3 per cent growth in the second quarter, and a rate of 4.9 per cent in the first.

But the critical question for the outlook for interest rates is whether that growth will translate soon into higher inflation - specifically whether it will result in increased wage pressures in the labour market.

Last week Alan Greenspan, the Fed chairman, said that at the current rate of growth in demand unemployment would continue to fall, which would eventually push up wages. So far such wage acceleration has not been seen, but central bank officials believe that that benign outcome is the result of short-term factors such as a heightened sense of job insecurity among workers.

World Series limbers up for annual rite

By Mark Suzman
in Washington and John
Authers in New York

This evening sees the start of the World Series, the US's autumnal rite, which for almost a century has seen top teams from the National League and American League slug it out to find the best team in baseball.

This year's event, however, seems to underline some of the drastic changes which the sport has under-

gone in recent years. It could also serve as the prelude for more drastic reorganisation.

Neither of the two teams taking part would have qualified under the rules used until three years ago. And one team has only existed for five years. Neither of the teams with the best records in their league has qualified for the series.

The all-conquering Atlanta Braves, who amassed the best regular season record in either league, were elim-

nated by the upstart Florida Marlins in only their fifth year of existence. They will now treat Miami to its first World Series as they face the Cleveland Indians - upset victors themselves in the American League against the Baltimore Orioles, who had amassed the league's best record.

The Marlins have reached the series faster than any other team in history, and they are also the first team to get there without first

winning a division title. During the regular season Florida, who had spent \$88m on free agent players during the off-season in an attempt to improve their chances, finished second to the Braves. Nevertheless, their record was good enough to win them a wild card slot in the playoffs - an innovation introduced in 1995 - and they made good use of it, first sweeping aside sweeping the San Francisco Giants and then beating Atlanta 4-2

in a best-of-seven playoff. The play-offs were expanded in an attempt to generate more interest, and to enhance television revenues. Most baseball games are not televised nationally but all play-off games are routinely broadcast across the nation.

The same logic lay behind the expansion of the leagues themselves, with the creation of the Florida Marlins and the Colorado Rockies in 1993. However, this too has been controversial. While

the Rockies have found great support in Denver, tonight's game will be the first time that the Marlins have sold out their stadium.

Baseball owners are discussing a series of proposals which would entail moving teams between leagues in an attempt to create more local rivalries, and get more interest from a public which seems more interested in football and basketball. Purists suggest reorganisation would alienate existing fans.

Japanese film strikes chord with US audiences

Michiyo Nakamoto on optimism sparked by hit movie exploring the joys of ballroom dancing

When a Japanese salaryman takes up a hobby it is more likely to be golf than ballroom dancing. But Shohhei Sugiyama finds release from the prison of his humdrum life in the waltz and the tango.

Sugiyama's escape from the monotony of the typical salaryman's life is the subject of *Shall We Dance?*, a Japanese film which has become an unusual hit in the US and spurred talk of a revival in Japanese film-making.

The film about how Sugiyama discovers the joys of ballroom dancing became the highest-grossing Japanese film in the US this month with more than \$7.33m in box-office receipts. In a year of unprecedented critical acclaim for Japanese films, the US success of Masayuki Suo's movie has fuelled talk that Japanese films have finally joined the international top league.

The US success has been something of a surprise precisely because it is a peculiarly Japanese tale, with few of the extravagant traps of Hollywood drama. For the thousands of Japanese who thronged to see the movie when it was released in its home country last year, Sugiyama's listless look as he takes the long train ride home to his suburban home, the narrow-minded disdain his fellow office workers show for a colleague who does not fit into the mould and the satis-



Tamayo Kusakari (left) and Koji Yakusho in *Shall We Dance?* which is seen as marking a revival in Japanese film-making

faction he feels in throwing his heart into the romance of ballroom dancing are all scenes they can relate to.

It could be that Sugiyama's sense that something is lacking in his life as a grey-suited businessman has struck a chord among audiences in the US as well.

After raking in \$30m (\$250,000) in Japan, there are expectations that *Shall We Dance?* could top \$10m in the US. That would be an unprecedented feat for an Asian film in the US, where, according to Miramax, the film's US distributor, only five foreign-language films have taken in more than \$10m.

But it is not just Suo's touching film that has reawakened foreign interest. After a long period characterised by a conspicuous lack of commercial hits, there is growing optimism that the Japanese film industry has come back to life.

Earlier this year Shohhei Imamura won the Palme d'Or at Cannes for *Uragi*, the story of a man who, on release from prison where he spent time for murdering his wife, withdraws from society and reveals his feelings only to an eel. *Suzaku*, an examination of life in an isolated village by Naomi Kawase, a young

film-maker, grabbed the Camera d'Or while Takeshi Kitano's *Hanabi* won the Leone d'Oro at the Venice Film Festival.

In Japan an animated film by Hayao Miyazaki, *The Princess Mononoke*, has become the top-grossing film to hit Japanese screens.

The Japanese public has much to rejoice over the success of Mr Suo's film. The previous record for commercial success in the US was set by Akira Kurosawa's *Ran* more than a decade ago. That epic film about war-torn Japan grossed \$7.31m in 1985.

With a few exceptions the industry appeared thereafter

to have gone into hibernation.

The large studios churned out mainly sequels to a handful of familiar, long-running series which were shown at affiliated cinemas. The situation had deteriorated to the point where advance tickets to new Japanese releases could be found at discount stores for a fraction of their published price.

Last year 280 Japanese films were shown in Japan against 320 foreign films, notes Miyahiko Miki, a film critic. The Japanese films grossed just \$23bn against \$40bn for foreign films, he says.

In spite of the current

excitement about Japanese films, many critics warn that the situation for talented film-makers remains difficult.

"There have been very many interesting works by young, independent film-makers," notes Kenichi Okubo, a film critic. The problem is that since the large Japanese film companies have stopped functioning as studios, they have stopped taking risks in bringing films to the market.

As a result, young and talented independent film-makers must bear a tremendous financial burden in order to bring their works to an audience, he explains.

Even if a large film company decides to support an innovative, independent director, the "income that film-makers obtain from distribution rights is not very good," Mr Miki says.

"The Japanese film industry is dominated by distributors and film-makers are not treated properly," he points out. "Unless it becomes more profitable to make films, young people would rather make video games."

Concerned analysts like Mr Miki say the recent overseas success of Japanese films could be a tremendous opportunity to revive the industry.

But like Sugiyama's intol-erant office colleagues who remain set in their ways, the Japanese film industry is not yet dancing to the right tune.

APOLOGY

Due to a printer's error some copies of yesterday's paper omitted some text on page 7. We apologise to readers for the inconvenience.

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Queen feels 'prickly heat' of Indian politics

By Mark Nicholson
in New Delhi

Britain's Queen Elizabeth yesterday wrapped up her diplomatically fraught six-day visit to India with an official statement denying she was displeased with the way the British government had handled her state tour, and thanking Indians for the warmth of their welcome.

But the fact any such statement was felt necessary was an indication of how troubled her third state visit to the former British colony was.

It was designed to celebrate India's 50th anniversary of independence but left Indian officials and press bristling over an unwelcome "whiff of the Raj".

There were genuine moments of warmth - although nothing resembling the packed and cheering Indian streets which greeted the Queen on her previous trips in 1961 and 1983. However, what may prove her last state tour of Britain's "jewel in the crown" will be remembered more for the diplomatic equivalent of prickly heat generated between London and Delhi.

The Queen's visit did have its successful moments, among them the laying of a wreath at Jallianwalla Bagh in Punjab, a "special gesture" to 370 unarmed Indians slain 89 years ago by British troops in one of the Raj's worst atrocities.

This had been billed as the visit's most controversial event. L.K. Gujral, India's prime minister, had initially warned against the Queen even making the trip, and there were widespread calls before the visit for her to apologise publicly for the

massacre. In the event she was cheerily received.

Most other things, however, seemed to go wrong - from a reported gaffe by the Duke of Edinburgh at Jallianwalla Bagh to a diplomatic spat over whether or not protocol permitted the Queen to speak at a Madras banquet. But neither affair would themselves have troubled the Queen's visit had the stage not been set even before her arrival for a press and diplomatic rumpus over Kashmir.

The spark was a reported remark from Robin Cook, the accompanying British foreign secretary, that Britain would be willing to mediate between India and Pakistan in their dispute over Kashmir, should they decide to seek the UK's good offices. This has long been the British position. And India has consistently refused any such offer.

But India's officials and its press considered it worse than bad manners for Mr Cook apparently to raise the issue of Kashmir before the Queen's visit. Mr Gujral tartly responded by rejecting any "meddling" from a "third rate" country. The Indian media leapt on the story, likewise the travelling British press, accusing Mr Cook of "misleading" foreign policy. Even British diplomats privately wondered this week whether the airing of an issue on which Indian officials and the press are so supremely sensitive was wise.

"It'd be the last person to defend the violence of the Indian press when it comes to Kashmir," says Vinod Mehta, editor of Outlook magazine. "But while we can be rational about most sub-

jects, Kashmir is a blind spot. And you only have to live here a couple of weeks to know that."

Moreover, official and journalistic India was on alert for just such a controversy. Behind the ruckus is the widespread Indian suspicion that the British Labour party is "pro-Pakistan" and the government more assertive regarding Kashmir than its Conservative predecessor. This view derives in part from a 1995 Labour statement that Britain "is under an obligation" as the "former imperial power" to seek a settlement of India's and Pakistan's differences over Kashmir.

The diplomatic danger for Britain is that Mr Cook may have entered the Indian pantheon of whipping-boys, whose every move and utterance is subjected to the most distrustful critical scrutiny by press and officials alike. A previous victim was Robin Ramsay, former US assistant secretary of state for South Asian affairs, who never lived down reportedly "pro-Pakistan" remarks on an early visit to India, and excited diplomatic heat at every statement and visit thereafter.

It will not have helped that Mr Cook was folk by some Indian officials to have been "brusque" and "patronising". Nevertheless, British diplomats believe no lasting harm has been done. And even some Indian commentators wondered whether India was not being a bit too touchy.

"What is the state of our self-confidence?" asked Ashok Desai, a columnist in the Business Standard newspaper this week.

Summit offers chance to repair damage

The Commonwealth summit in Edinburgh next week offers Britain and India a chance to repair some of the diplomatic damage done during Queen Elizabeth's state visit to India this week, UK officials suggested yesterday. David Duchan reports.

In the opening ceremony L.K. Gujral, the Indian prime minister, has been chosen to reply - on behalf of the UK's 52 Commonwealth partners - to Tony Blair, the British prime minister and host UK Foreign Office officials hope that Mr Gujral will use his speech to emphasise the importance to India

of the Commonwealth and thus, indirectly, of relations with Britain. To strike a balance Nawaz Sharif, Pakistani prime minister, has been chosen to open the first working session.

Meanwhile, Robin Cook, the UK foreign secretary whose offer to mediate over Kashmir did most to raise Indian hackles, yesterday added a domestic twist to the controversy by suggesting the previous Conservative government had mistimed the Queen's visit during the 50th anniversary of Indian independence.

Outcry

Rail link problems denied as costs rise

Rugby

World

مكتبة الامم المتحدة

Reforms aim to trim budget by making lawyers take cases on 'no win, no pay' basis

Outcry at Irvine plan to cut legal aid

By George Parker and Robert Rice

The government will today announce the biggest cut in legal aid since the scheme was introduced in 1960, provoking an outcry from the legal profession and consumer groups.

Lord Irvine, the Lord Chancellor, plans to end legal aid for most civil actions and for litigation with less than a 75 per cent chance of success, as part of a package to cut more than £300m off the annual £1.5bn budget.

Downing Street yesterday portrayed the moves as an attempt to crackdown on unscrupulous law-

yers who took large sums of public money to pursue weak or trivial cases.

In future lawyers will have to take on most civil cases on a "no win, no pay" contract, a measure which Lord Irvine believes will encourage lawyers to make a realistic assessment of the strength of the case.

Lord Irvine, speaking at a law conference in Cardiff, will claim the "no win, no pay" system will open up the civil law to the middle classes, who do not qualify for legal aid but cannot afford to pursue their claims through the courts.

"Legal aid must be refocused," he will say. "It must be made a tool to promote access to justice for the needy, not seen by the public as something basically keeping lawyers in business."

Downing Street yesterday admitted the reforms would be "controversial", but said the country could no longer afford an open-ended, demand-led legal aid budget, which had increased from £682m to £1.5bn in just six years.

"Those people who will suffer are the lawyers who profit from pursuing weak cases at the public expense, and people who are using legal aid to pursue weak and trivial

cases," a spokesman said. Phillip Sycamore, president of the Law Society, said: "What we are seeing is signposting not to a compassionate Britain, but to a Britain in which there will be a severe withdrawal of access to justice for a lot of our citizens."

The society also attacked the government for criticising legal aid lawyers. "The government shouldn't try and camouflage what are in effect draconian cuts in legal aid with anti-lawyer rhetoric," it said.

Tony Blair, a former pupil of Lord Irvine in legal chambers, yesterday signalled his full support for

the programme in spite of opposition from the legal profession.

"Lord Irvine and the prime minister believe these reforms will be seen as an indication of the government's determination to make the hard choices necessary to modernise the welfare state," a Downing Street spokesman said.

Under the reforms, the civil legal aid budget will be capped for the first time, raising the prospect that some litigants at the end of a financial year might find that funds had run out.

Last year there were approaching three million civil legal aid cases.

Rail link problems denied as costs rise

By Charles Batchelor, Transport Correspondent

The total cost of the high-speed rail link to the Channel tunnel between England and France has risen by £1.4bn (£2.2bn) to £5.4bn and the proposed financing package may be delayed until the second half of 1998, but the project remains on course, senior executives involved in the scheme said yesterday.

Railtrack and a number of property companies have expressed an interest in joining the project but the eight founding shareholders of London & Continental Railways, the promoter of the project, denied that it had run into difficulties or needed outside assistance. However, if would-be partners made worthwhile proposals they would not be excluded.

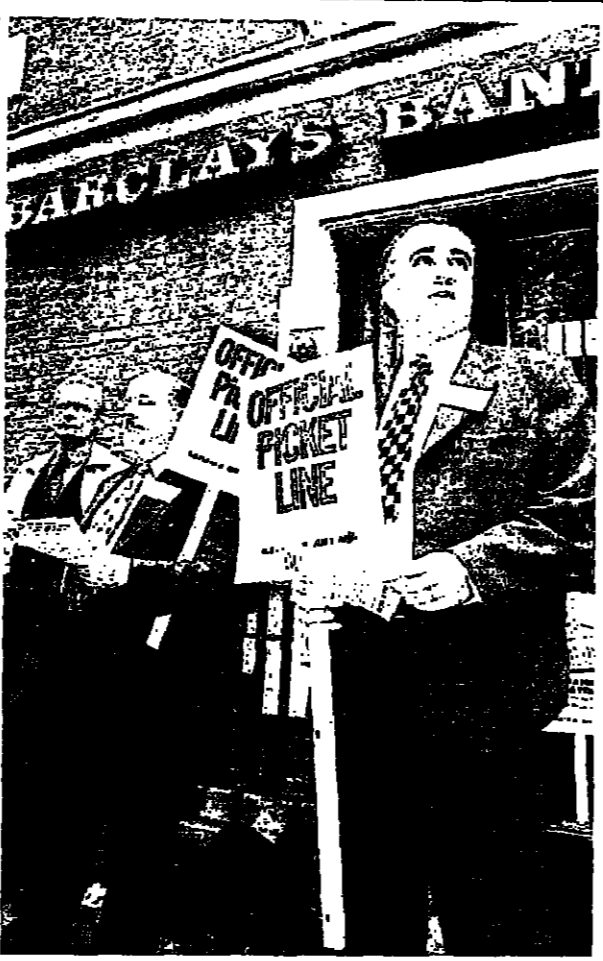
LCR last year won a 999-year concession from the government to build and operate a 68-mile link between London St Pancras rail station and the Channel tunnel. The link would cut 35 minutes off journey times between London, Paris and Brussels, and is due to open in 2003.

The financial package is expected to include a £300m bond issue even though such issues are not normally made at the construction stage of a project such as this one, when the risks involved in tunnelling have still to be resolved.

The bond issue is expected to include innovative features which LCR believes will overcome the qualms of investors.

The financing will also involve an equity issue of nearly £1bn, possibly in two tranches, and the raising of £3.5bn of debt from European, US and Japanese banks as well as international institutions such as the European Investment Bank and the German Bank for Reconstruction.

LCR's shareholders are Bechtel, a US project management group, SNC-Lavalin, a French engineering group, National Express, Systra - a consultancy owned by French Railways, London Electricity, and Arup and Halcrow - both design engineers.



Barclays Bank staff form a picket line at the Soho Square branch in London. Staff across the country took industrial action yesterday over what they claim is a pay freeze

Institute seeks better standard of director

By Andrew Edgecliffe-Johnson

The Institute of Directors wants to create a new class of "chartered directors" in an attempt to establish a professional standard for UK directors for the first time.

The institute hopes the measures will cut down the number of corporate failures and improve the reputation of company directors, which it says has been "damaged by a number of bad eggs", ranging from Robert Maxwell to rogue directors of small companies.

Those who meet the new standard could use the letters CD after their name. The IoD would be able to "strike off" those who fell short of the standards. It would not have the power of some chartered institutes to exclude failed directors from their profession.

John Harper, IoD professional development director, who has drawn up the proposals, said: "This will separate the crooks from the honourable directors."

The IoD has applied to the

Privy Council for the Queen's permission to use its royal charter to examine directors' on their knowledge, conduct and professional experience.

The IoD yesterday posted letters to its 26,000 fellows and members, inviting them to vote on the proposals at a special general meeting on November 26. It needs a simple majority to amend its by-laws. It hopes to hand out its first qualifications by January and for the standard to be commonplace within 10 years.

The IoD is keen to target directors of small and medium enterprises as well as large listed companies. It is approaching headhunters and bankers to encourage new directors to adopt the standard. Mr Harper said: "I believe in 10 to 20 years people will be very reluctant to appoint directors to senior positions if they don't have this qualification."

To earn the qualification, a director would need to show he had sufficient experience, sit a three-hour examination, find an IoD fel-

low to propose him and be interviewed by a panel of senior directors.

The examination, based on the IoD's company direction training programme, will cover finance, strategic business direction, marketing and employee issues.

"The board's most important decisions will be about the future prosperity of the company, so it needs people who understand the interaction of all those functions," Mr Harper said.

The code demands directors should exercise leadership, enterprise and judgment; observe standards of good practice; exercise responsibilities to staff, customers and the community; refrain from anti-competitive practices; avoid conflict between personal and business interests; and not damage the IoD's reputation.

If a director were suspected of a breach of code, the IoD would investigate the person. It would publicise withdrawal of any chartered director's title.

Lex, page 24

Northern Ireland parades plan attacked

By John Murray Brown in Dublin

Unionists responded angrily yesterday to draft legislation published by Mo Mowlam, the Northern Ireland secretary, establishing an independent commission to take over from the Royal Ulster Constabulary in giving rulings on contentious parades in the province.

The commission will get powers to re-route or impose restrictions on disputed Prot-

estant Orange Order marches through nationalist areas.

The RUC, which currently intervenes on grounds of public order.

For three years, since the paramilitary ceasefires, parades have been the main bone of contention between unionist and nationalist communities.

Violence erupted in July, souring the atmosphere at the multi-party talks, after

police forced Orangemen from the Protestant church of Drumcree through a largely nationalist enclave outside Portadown.

The bill, which the government expects will become law in time for the 1998 marching season, was criticised by David Trimble, the Ulster Unionist leader. He said Ms Mowlam had "banded over massive powers" to a body which was "unselected, and unaccountable".

Mr Trimble warned that if the commission behaves in an uneven and unfair manner, we are in difficulties.

The Orange Order said: "There is nothing in this legislation for us and we reject totally their thinking that allows our faith, tradition, and culture to be treated with such contempt."

The order, which runs most of the 3,000 summer marches, added: "It is long past time that the government listened to the ordi-

nary, law-abiding people of Northern Ireland, rather than continually pandering to militant republicans."

Ian Paisley jnr, justice spokesman for the smaller hardline Democratic Unionist party, said the commission would "erode Protestant culture".

However David Adams, of the fringe loyalist Ulster Democratic party, said he would "reserve judgment until we see how the commission actually works".

Farmers warned that profits may halve

By Maggie Urry

Farm profits in England fell by nearly a quarter on average last year, in spite of a record harvest, and will almost halve in the current year, according to a report from accountants Deloitte & Touche.

The report, based on a survey of the firm's agriculture clients, who farm 100,000

hectares, is the first detailed assessment of farm incomes in 1996-97.

The bottom 25 per cent made a loss and should consider giving up before they are forced out of business, said Vincent Hedley Lewis, the Deloitte partner in charge of agriculture.

He advised farmers to cut labour costs by replacing permanent staff with casual

workers and to consider buying second-hand equipment instead of new. He also suggested hiring rather than buying machinery.

The fall in farm incomes is likely to affect agricultural machinery makers as farmers cut investment.

The report found average net farm incomes, before tax and the farmer's salary, fell from £363 (£588) to £278

(£450) a hectare in the financial year to June 30. Deloitte forecast a drop to £142 a hectare in the current financial year, taking profits down to levels last seen in 1992, before a series of good years. Wheat prices for the record 1996 harvest fell from £128 a tonne in June 1996 to £90 a tonne by Christmas. This year all farmers will be subject to the lower prices

still prevailing. Yields are also down.

Particularly hard hit in 1996-97 were potato farmers. Average prices fell from an exceptionally high £153 a tonne in 1995-96 to £54. A farmer with a mix of crops such as wheat and potatoes suffered a drop in average income from £462 to £160 a hectare last year and faces a further fall to £39 a hectare.

Rugby faces trying times off the field

England's rugby union clubs face desperate times. After losing an estimated £15m (£24.3m) last season, the top 24 clubs in the Allied Dunbar league remain in deep financial trouble. Despite the tens of millions of pounds poured into them during the past two years, they continue to lose money by the bucketful.

More worryingly, the patience of rugby's millionaire owner-investors is wearing thin and another season of heavy losses could prompt their exodus from the sport. "How long will sensible people chuck money down the drain?" asked one this week.

The sport's plight was highlighted on Monday when Bristol, in south-west England, was warned by its auditors that if it did not find a new source of finance

The union game's money men are losing patience with substantial losses, writes Patrick Harverson

soon it might have to cease trading. Last year the top division club - traditionally one of the best supported - lost £487,000. Others lost more. Nigel Wray, the owner of the north London club Saracens, comments wryly: "I wish we'd only lost half a million."

Even success on the field does not stem the tide of red ink. Last season Wasps, in west London, lost more than £540,000 on turnover of £1.6m, in spite of winning the league championship. In club rugby the costs (especially player wages) are too high, the revenues are too low and the crowds too small to make money.

While the clubs accept

some of the damage is self-inflicted - they know they have paid the players far too much - the biggest and most immediate problem is the chaotic state of the fixture list.

The long interruptions to the domestic league schedule caused by European competition this month, and four England internationals next month, have made it impossible for the clubs to attract a loyal following among non-core rugby supporters.

The situation is so bad that three months into the season, Wasps have yet to play a home game in the Premiership. Their first is today against Saracens, followed two weeks later with

another. Then there is a six-week gap before the next home game.

Nigel Wray says: "To finance the whole of November with no money coming in - it's not a business proposition. I could never, ever make Saracens successful on that basis."

Further disruption occurs in February when the Five Nations championship - the main competition in the northern hemisphere - begins. Wasps will play just one home game between January 11 and March 15.

"We have no chance of developing any customer loyalty with such a disrupted fixture list," bemoans Chris Wright, the media

industry millionaire who owns the club. "Also, from an overall cashflow standpoint, it's absolute suicide."

Fortunately, the Rugby Football Union, the game's ruling body - which has created much of the problem with its scheduling of so many England internationals before Christmas - takes the clubs' point.

Cliff Brittle, the RFU's chairman, has admitted that too many international matches are being played this season, and last week the RFU met with the clubs to discuss next season's fixture list.

But not every club believes the RFU will always put the interests of the England team before the interests of the clubs.

Even if the relationship between the clubs and the RFU is as good as some



Wasps in action: owner Chris Wright says disrupted fixtures mean 'cashflow suicide'

their own affairs because otherwise the RFU will always put the interests of the England team before the interests of the clubs.

One owner says the clubs should be allowed to run

UK NEWS DIGEST

Survey supports ethical pensions

Almost three-quarters of adults belonging to pension funds or considering joining one think their money should be invested ethically, according to a survey published today. But only one-third of the 700 adults surveyed wanted ethical investment even at the risk of lower returns. Ethical funds account for less than 1 per cent of UK pension assets.

Ms Karen Eldridge, head of client services at the Ethical Investment Research Service, which commissioned the research from polling company NOP Solutions, said: "The financial services industry is missing a trick here." Respondents strongly rejected investment in weapons manufacturers and businesses conducting animal tests. But less than half objected to investing in tobacco companies. Twice as many men as women dismissed ethical criteria as irrelevant to investment decisions.

Ethical investment of pension fund assets has gained little ground in the UK due to ignorance and nervousness, said Ms Eldridge. "At the moment only personal pension buyers can choose to have a pension with an ethical policy, and then intermediaries advising them do not always tell them the choice exists." The trustees that run the final salary, employer-sponsored pension schemes with the bulk of assets are nervous of investing according to ethical criteria. Narrow interpretations of the law suggest it is illegal to do this if members could be financially worse off as a result.

Jonathan Guthrie

FILM INDUSTRY

Two franchise contracts signed

The Arts Council has signed contracts to launch two of the three film production franchises funded by the national lottery. It expects to sign off the third within the next week. Negotiations with the three franchisees, which will receive a total of £92.5m (£149.8m) in lottery subsidies over six years, have taken longer than expected. When the council announced the awards at the Cannes Film Festival last May, it hoped to complete the contractual arrangements by early September. But the process, which involved putting private sector finance for the companies into place, proved unexpectedly complex.

This week, the council signed contracts with The Film Consortium, backed by Richard Branson's Virgin group, and Pathe Productions, linked to the French entertainment company. Talks are still under way with DNA Pictures, founded by Andrew Macdonald and Duncan Kenworthy, producers of *Transporters* and *Four Weddings and a Funeral*. Charles Denton, chairman of the Arts Council's film advisory panel, said he hoped to sign contracts by the end of next week.

Alice Ransworth

PRISONS

Senior governor condemns cuts

"Irrevocable damage" is being caused to the Prison Service by the way its budget is allocated, according to Chris Scott, chairman of the Prison Governors Association. "Truly appalling" cuts will leave staff and services at "dangerous and damaging levels", Mr Scott writes in a letter to Richard Tilt, director-general of the Prison Service. In the letter, sent last Sunday and seen by the Financial Times, Mr Scott complains that the way funds are distributed by the Prison Service is so inefficient that it leaves many governors with "real-term" budget cuts that are "inadequate to meet a continuation of the current levels of service". Mr Tilt has not yet replied.

Mr Scott says the distribution system is "more than discredited", especially in the light of the escalating prison population. This has risen by 2,800 since May's general election - enough to fill six new prisons. Simon Buckley

PENSIONS

Tax on funds could hit business

The National Association of Pension Funds has warned that a capital gains tax on pension funds would double taxation rates for scheme members and lead to a loss of business in the City of London.

In its response to the government review of corporation tax, the association, which represents the UK's leading institutional investors, said that a tax would increase costs and risks for UK fund managers. Ann Robinson, director-general, said: "We need to encourage the liquidity of financial markets, not glue them up."

Jane Martinson

CORPORATE GOVERNANCE

Warning over incentive schemes

A leading corporate governance consultancy has warned that executive incentive schemes introduced in the past year could pay out maximum awards for mediocre performance. A review of 103 companies that introduced new measures in the past year by Pirc, the consultancy, found that 72 per cent of the new executive share option schemes paid out awards for annual earnings growth of 2 per cent above inflation. Research into average earnings per share growth found that they rose by more than this target in seven of the past 10 years.

Jane Martinson

World championship marks watershed for the European game

Yesterday saw the final of rugby league's world club championship in Auckland. The competition was meant to point to a bright new future for the sport. But instead of thrilling the crowds, it produced a series of one-sided games, as too many European clubs discovered they were not in the same league as the Aussies.

Yet this will be the first and last

final to be played under the present format.

The tournament is part of the master plan from media magnate Rupert Murdoch's News Limited, to develop rugby league from its Australian base into a worldwide sport. Rather than work with the Australian Rugby League, which had run the game since 1907, Mr Murdoch sidestepped the ARL's

existing television contract and signed up leading players and clubs for a new Super League. Separate deals brought overseas leagues - including the Rugby Football League in the UK - into the fold. The world club championship, bringing together the best from Australasia and Europe, capped the structure.

The ARL, however, refused to curi

up and die. Operating with a rump of clubs clustered around Sydney, it went on organising its own competition: the recent 1997 grand final was a stunning match. ARL kept its Sydney public and denounced Super League at every turn. A deal between Super League and the ARL is finally expected to be announced next week, with a 20-team unified competition in Australia.

Posterity may judge the world club championship harshly, and yet the competition, by exposing its failings, has finally galvanised the British game into a determined effort to put its house in order.

After the first phase of the competition in June we realised that we had to take action if we were ever to get on to level terms with the Austral-

ians," says Neil Tunncliffe, deputy chief executive of the RFL.

"If that is the legacy of this competition, we will all look back on it as a genuine watershed for the European game."

Martyn Sadler

The author is editor of Rugby League Express

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Saturday October 18 1997

Bids, deals and jobs

On Monday the European business community found itself contemplating five large cross-border mergers in a single day. Two of them were hostile. In a continent which has traditionally been suspicious of Anglo-Saxon capital market practice, this is unprecedented. Does the recent spate of deals herald a wave of restructuring that will help address Europe's economic problems?

Continental Europe has unquestionably been inefficient in its use of capital when compared with the English-speaking economies. The penalty for such inefficiency has greatly increased as a result of the integration of eastern Europe and the newly industrialising countries into the global market place. This has raised the opportunity cost of investing in the developed world, increasing the pressure on companies to raise returns to capital.

At the same time the completion of the single market in Europe, capped by the impending launch of the euro, has added impetus to the corporate urge to achieve pan-European economies of scale and scope. Many of Europe's industries are still fragmented and in need of consolidation. If mergers and acquisitions provide a means of achieving a more efficient use of capital and a more competitive industrial and commercial structure, they are potentially welcome.

Most of the recent deals can claim some measure of industrial logic. Both the hostile bid by Generali, Italy's biggest insurer, for France's AGF, and BAT Industries' deal with Zurich group could contribute to a rationalisation of the insurance market in Europe and outside. There is a clear regional logic to the merger of Sweden's Nordbanken and Finland's Merita. Reed Elsevier and Wolters Kluwer have complementary features in publishing, while Lafarge's hostile bid for Redland brings European capital market discipline to an Anglo-Saxon underperformer in the same industry.

Shareholder value

The academic evidence that bids result in increased efficiency is, at best, weak. Because of the asymmetry of information between the bidder and the target, bidders - especially hostile ones - often over-pay, destroying shareholder value while incurring excessive transaction costs. Industrialists,

egged on by fee-hungry investment bankers, find it more exciting to trade in companies than to focus on operational management, despite evidence that competitive advantage derives chiefly from this less exciting activity.

In the thrill of the chase, managers often overlook the difficulty of integrating large companies. Those difficulties are multiplied when the cultural differences are national as well as organisational; and they are further compounded where the bids are hostile. So while some of these takeovers will succeed, it would be surprising if continental Europe defies the most compelling Anglo-Saxon statistics on takeovers, which hold that the biggest losers are usually the shareholders in the acquiring company.

Final analysis

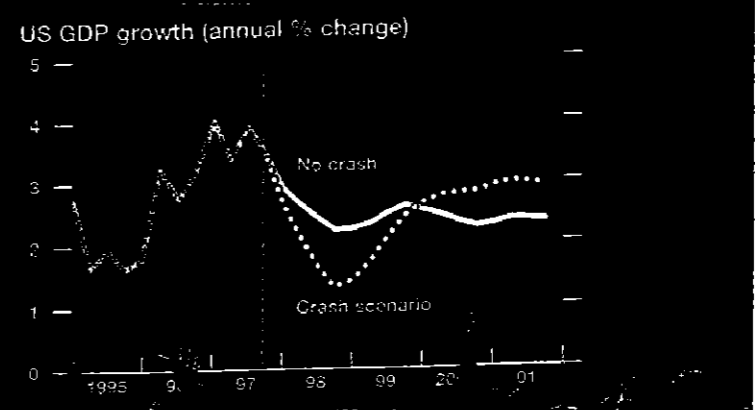
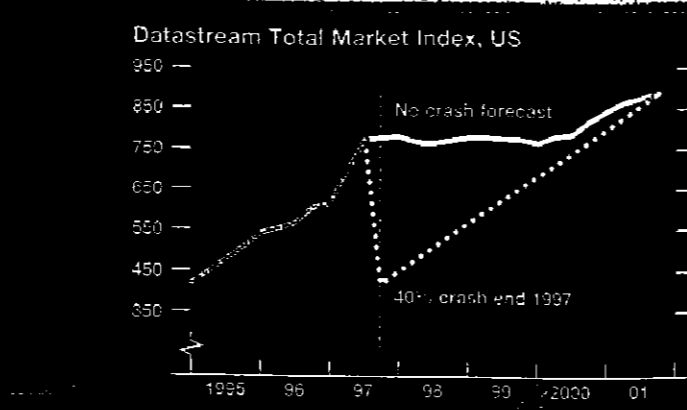
The wider risk is what happens when a more flexible capital market meets a labour market that remains very inflexible. In the final analysis, Europe's biggest economic problem is not the inefficiency of its capital markets but the inability to create private sector jobs.

The much greater power of labour in continental Europe relative to the English-speaking economies means that takeovers-induced labour shedding will be a slower process. Even so, the pressure for increased returns is real. And in the absence of a greater assault on labour market rigidities, smaller companies' ability to generate new jobs to compensate for job destruction among the giants will remain seriously impaired. The political and social consequences of this unbalanced combination of sclerotic labour and more efficient capital are very worrying.

Ideally, greater freedom in capital markets should go hand in hand with the liberalisation of employment practice. Yet the most striking feature of the politics of continental Europe is the lack of willpower. In this area at least, demonstrated by the leaders of the largest countries. So progress is likely to be slow and the outcome messy.

Against that background there should perhaps be less emphasis in capital markets on takeovers and mergers, more on addressing the woeful deficiencies of European venture capital. Helping smaller companies will not generate vast fees for investment bankers. But it could make a useful contribution to jobs growth.

Wall Street: life after a crash



Would a crash matter?

Ten years after Black Monday, Robert Chote asks how much economic damage another stock market fall would cause

Mike Sienkiewicz has a nice problem. As business manager for two luxury car dealerships in Rockville, Maryland, he has more people wanting to buy Porsches, Audis or Lexuses than he has cars to sell. The soaring stock market has been great for business and "we are all holding our breath and hoping that nothing changes soon".

Ten years ago tomorrow, something did change. The bull market that had been under way since August 1982 came to a dramatic, albeit temporary, end. The Dow Jones Industrial Average plunged by more than 22 per cent on "Black Monday", reversing most of its gain from the previous 12 months. In London share prices fell 10 per cent on Monday and 12 per cent the day after.

In the minds of economic policymakers, the meltdown rekindled memories of 1929, when a crash became a depression. In response, the US Federal Reserve eased the tight-money policies it had put in train that summer, pulling short-term interest rates back below 7 per cent. Economists assumed that the market crash would slow the real economy by making people feel poorer and reducing the amount they spend.

In the event, these fears appeared overdone. Although consumer spending dropped in the fourth quarter of 1987, it rose again in the first three months of 1988. Aided by strong export demand, US economic growth overall remained healthy through 1988.

As the 10th anniversary of Black Monday has approached - and as present-day stock market valuations have become increasingly difficult to justify - economists and policymakers have turned their minds to the possibility of another crash. In the minutes of its meeting last month, the Bank of England's monetary policy committee cautioned: "High and rising stock market prices were a concern both because of their immediate contribution to the rapid growth of consumption and because, if they proved unsustainable and fell abruptly, they might create a shock to the real economy."

Earlier this year even 3 cents looked too high. Baffled Wall Street economists were writing off the wealth effect, as Department of Commerce statistics showed people saving a growing proportion of their incomes through 1995 and 1996, even though the Dow had risen by more than 50 per cent.

Alan Greenspan, the Federal Reserve chairman, told Congress in March that he shared their puzzlement. "The surging stock market does not seem to have imparted as big a boost to spending as past relationships would have predicted," he said.

Mr Greenspan suggested that people might be saving more for their retirement, because they doubted the viability of the social security system. People on relatively modest incomes might also feel constrained by large debts, he added.

The puzzle was resolved in part by revisions to US gross domestic product in August. The original figures showed savings rising as a proportion of income from 4 per cent in 1993 to 5 per cent in late 1996. The revised data painted a very different picture: the savings ratio peaked at 5 per cent in early 1995 before falling to 4 per cent by early 1997.

After revision, the wealth effect is alive and kicking, argues William Dudley, at Goldman Sachs in New York. "Evidence that the wealth effect has lifted spending in the last year or two suggests that US growth is more vulnerable to a decisive downturn in stock prices, whenever that should occur."

But just how much damage would a stock market crash do? Kurt Karl, of the WEFA economic consultancy in Pennsylvania, believes a crash would put a

bigger dent in US consumer confidence and spending now than it did in 1987. This is because more people hold shares.

Between 1989 and 1995 the proportion of US families holding stocks rose from 32 per cent to 41 per cent. During this period the value of stocks held by US households - including direct holdings, mutual funds, life insurance and pension fund reserves - almost doubled to \$11.5 trillion and has continued to rise strongly. With more people owning more valuable shares, the possibility that a real crash will follow a stock market one seems greater.

However, James Poterba, professor at the Massachusetts Institute of Technology, is less certain. He notes that, although the numbers of individual shareholders are growing, stock ownership remains highly concentrated in the US. Even if you include the accounts for retirement saving that have contributed so much to the recent broadening of share ownership in the US, the top 1 per cent of equity-holding households still own half the stock. If so much is concentrated in a few rich families, then the wider wealth effects could be muted.

So how might these conflicting interpretations of the wealth effects balance out? In a special simulation carried out for the FT, Vanessa Rossi of Oxford Economic Forecasting estimated the impact of a 40 per cent crash in US share prices at the end of this year, triggering falls of 20 per cent to 25 per cent in other markets. Share prices are assumed to return gradually to their old trends.

Ms Rossi calculated that this scenario would knock half a percentage point off US economic growth in 1998 and 1999, with consumer spending dropping sharply in the first year, and then investment weakening in its

wake as companies find it more difficult to raise money from the stock market. Growth in the UK would fall by a third of a percentage point each year, with the impact in continental Europe smaller still.

Allstair Barr, at the London Business School, estimates that a 40 per cent stock market crash would have a larger effect on US growth, but says this would still not be enough to produce a recession in the technical sense that national output falls in two successive quarters.

Mr Karl believes this would result in a mild recession, because a stock market crash would have a dramatic impact on consumer confidence, magnifying the standard estimate of the wealth effect.

At a time when the International Monetary Fund has been warning about the inflationary dangers of strong economic growth and high capacity utilisation in the US and the UK, the cooling effect of a stock market correction might be a blessing in disguise. The real worry for policymakers - as in 1987 - is the risk of serious disruption to the banking and financial systems when deciding how to respond. Arguably, it may be worth supplying money to the banking system to save it, even if there were some inflationary problems.

No one can be certain what impact a stock market crash would have, especially as many people in the US are relatively new recruits to the shareholder society. The impact of the crash would of course depend on its size, speed, duration, cause and how policymakers respond.

But most policymakers and economists would share the view from the Maryland car dealer, says Mr Sienkiewicz, "I would certainly be worried."

Booze cruise threat to traditional British pub

From Mr Anthony Fuller.

Sir, The debate following your publication of James Currie's letter (October 4) has missed the central point of how seriously duty-free allowances affect UK pubs by encouraging booze cruises. The Independent Family Brewers of Britain owns over 5,400 pubs and is seriously concerned by the increasing threat to the traditional pub from French beer imports.

The problem is that duty-free sales subsidise ferry fares: cheap fares (from as little as £1 return for a foot passenger, £10 for a car) contributed to a 30 per cent increase in cross-channel traffic last year, and the average cross-channel passenger returns with enough French beer to satisfy his total consumption for the following month.

Economic studies show that 70-80 per cent of the 1.5m pints of beer brought in from Calais every day are substitutes for UK sales, mostly for sales in the pub. Kent pubs are estimated to be losing 27 per cent of their beer sales to French beer. The result has been the closure of hundreds of pubs in Kent since European borders opened in 1993, and the problem is rapidly spreading to the rest of the country.

'Duty free' is an anachronism

From Mr Simon Coombe.

Sir, The whole concept of duty free is an anachronism. The practice has its origins in the days of sailing ships, when travellers were allowed to take sufficient food and drink with them to allow for the fact that the voyage might take longer than expected because of adverse weather conditions. Obviously there was a strong probability of them reaching their destination with an amount of unconsumed "vittels", and these were allowed ashore duty free.

There is, furthermore, the

the root cause of the problem is, of course, the failure of European states to harmonise duties. If the European Commission had discharged its obligations under the Treaty of Rome to harmonise duties, duty-free sales would be less of an issue today. Our own government has also shown a blatant disregard for its Treaty obligations by proposing in the latest budget to raise UK beer duty - already six times as high as France - even higher above the European average.

The Budget proposal is subject to a legal challenge by our Kent member, Shepherd Neame, but this is unlikely to be heard by the European Court before 2000. Until we can harmonise duties, it is essential that we do not continue to subsidise cross-channel shopping at the expense of our pubs, our licensees and our family breweries.

Anthony Fuller, chairman, Independent Family Brewers of Britain and Fuller, Smith & Turner, Griffin Brewery, Chiswick Lane South, Chiswick, London W4 2QB, UK

safety and weight aspect. It has not been unknown for people to leave an aircraft in an emergency clutching their precious "duty free". Finally, what is the cost element involved in ferrying all this highly flammable material around the world on the off-chance that someone may purchase it?

Simon Coombe, editor/director Proper Ltd, One Lefebvre Street, St Peter Port, Guernsey GY1 2TW, UK

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Guard our proud Indian legacy

From Mr Selwyn Hodson-Pressinger.

Sir, In view of India's size and economic potential, the current visit by the UK's Head of State is a historic moment.

However, being the 50th anniversary of India's independence, every measure should have been taken to ensure the state visit was a success.

The fact that it has suffered mishaps is thus particularly sad, especially for those, like myself, who highly value good Anglo-Indian relations.

This summer I had the privilege of being a guest of honour at the annual reunion of serving Indian and retired British officers of Hodson's Horse.

This old Indian regiment was first introduced to me by my great-uncle, Selwyn Hodson, who was the major-nephew of its founder, Major W. S. R. Hodson. To have witnessed Anglo-Indian relations continuing healthily after 50 years of independence was an admirable sight and is encouraging for the future.

Apart from being an excellent reflection on Hodson's Horse and

the army as a whole, it undoubtedly speaks well of Britain's overall legacy in India.

It is the many positive aspects of this legacy that the British government should nurture and protect at all costs. Let us hope that the Labour administration will learn from the mishaps of the Queen's visit and restore Anglo-Indian relations to where they rightfully belong.

Selwyn Hodson-Pressinger, 17 Place de Reigneux, 59800 Lille, France

The European Parliament must be accountable too

From Mr John Thomson.

Sir, Liam Halligan's report ("European elections to change", October 16) should give cause for concern to all who want to see European institutions made accountable.

If the bill shortly to be presented for proportional representation in the Euro-elections only gives voters a choice between parties, important democratic rights will have been taken away from ordinary voters.

The central party apparatus will determine who sits in the European Parliament. Worse still, there will be no effective mechanism, other than that the party provides, for removing an MEP once elected.

Independents will be denied their right to stand for the European Parliament. Those who do get on to party lists will be the

"favoured sons and daughters" of the party hierarchy. They will know that they must toe the party line at all times. They will be more concerned with pleasing the party than with representing the voters in their regions.

Does all this really matter? I believe it does, especially as the European Parliament now has more influence under both the Maastricht and Amsterdam treaties.

If the European Parliament is to call the Commission to account, it must itself be accountable.

John Thomson, Croftin Cottage, Friday Lane, Charlton St Peter, near Pewsey, Wiltshire SN9 6EY, UK

Step on road to immortality

From Mr P. G. Barker.

Sir, Your correspondent Philip Johnson (Letters, October 11) correctly denies that there is "war" between science and religion, but he surely cannot deny that there has been conflict between them since at least the time of Galileo.

However, it seems to me that they are starting to converge at last.

We have recently seen real evidence of the feasibility of cloning. All science needs now is the ability to download and transfer neuronal software (brainware?) and it will have achieved the first stage on the road to universal immortality.

Peter G. Barker, 31 Hazlewood Road, Duffield, Derbyshire, DE55 4DF, UK

Equitable policy on emissions

From Mr Tom Spencer MEP.

Sir, Your leader article "Hot debate on warming" (October 14) contained the key word "equitable" but failed to draw the obvious conclusion needed to produce success in Kyoto.

Each of the main players in this negotiation faces a different set of historic emissions, recent actions and well-organised lobbies. Furthermore, the US is bound by resolution of the Senate into an outcome that includes action from non-Annex 1 countries in the developing world. The only answer is a Kyoto Mandate that points the way to a framework for diplomatic negotiations based on contraction and convergence.

This would acknowledge the need for historic equity of per capita emissions since the industrial revolution, and project a formula for sharing future burdens into the coming century. With a global cap on emissions, the developed world would cut back sharply and the developing world would inhibit its emissions reaching a point of equal per capita emissions in about 2040. Emission trading, technological advances and changing scientific information could all be accommodated within a context that can be accepted by China, India and the Group of 77 as just.

The European Parliament recently adopted such a policy based on the analysis provided by the Global Commons Institute. It is not only the right policy, it is also the only policy that holds out significant hope of bridging the current negotiating divides.

Tom Spencer, president, Global Legislators for a Balanced Environment, 97-113 rue Belliard, B-1047 Brussels, Belgium

Never a ripe time for Emu

From Mr David Soward.

Sir, It has often been suggested over the years that the UK's membership of the Exchange Rate Mechanism was "a mistake". With William Hague's endorsement last week, such a belief has grown from frequent assertion to the status of widely held assumption.

Yet I have always thought that the only things wrong with our ERM membership were that the decision to enter was made unilaterally, at the wrong time and at the wrong level.

Much use was made, in the years leading up to our eventual entry, of the phrase "when the time is ripe". It is surely one of the supreme ironies of the third Thatcher administration that, when in the end we did join, the time was far from ripe, or indeed was so overripe as to be positively rotten.

What are the odds on a similar "mistake" as we envisage economic and monetary union?

David Soward, Allied Dunbar, Cornhill House, 117 Bath Road, Cheltenham, Gloucestershire, GL53 7LS, UK

Chance to sell up a storm

From Mr David Kaanders.

Sir, Your coverage of the 1987 crash ("The storm that blew across the world", October 16) omitted to mention the superb selling opportunity that existed beforehand.

David Kaanders, Kaanders Portfolio Management, 1 Quadrant Court, Middle Street, Taunton, Somerset TA1 1SJ, UK

مكتبة الجليل

Men in the News

The new – and old – face of French business

Serge Tchuruk was the least visible protagonist in this week's remarkable wave of French corporate activity. But this mild-mannered man with the short-cropped Armenian name is likely to emerge as one of the most influential participants in the accelerating process of French and pan-European corporate restructuring.

As chairman of Alcatel-Alsthom, the telecommunications and engineering group, his bid to acquire an influential stake in the jewel of the French defence business, Thomson-CSF, was given the go-ahead by the Jospin government. This has thrust the 62-year-old Mr Tchuruk into the thick of events, both in restructuring the French defence industry and in shaping Europe-wide defence alliances.

Mr Tchuruk is convinced that the long-standing French belief in an interventionist state underpinning industrial and corporate development is being eroded. There is no "third way" between the French statist approach to business and the Anglo-Saxon international-market approach. "You have to play one game or another," he says. "And I see no alternative but to play the international game."

The tie-up with Thomson was part of Mr Tchuruk's strategic plan when he took the helm of a troubled Alcatel in June 1995. While concentrating on the telecoms core, he had felt the need to add value to Alcatel's interests in the space and defence sectors. Two abortive attempts at privatising Thomson under the previous centre-right government have forced him to be patient.

"We originally sought a bigger stake;

but this week's solution is the best that could be done at the purely French level," he says.

Along with Dassault's electronics arm, Alcatel will hold about 25 per cent of Thomson, with the state's 58 per cent stake dropping below 45 per cent. In spite of the continued state presence, he believes Alcatel and private business will have a voice in the defence sector, traditionally a minefield of nationalist sensitivities.

"European alliances are a burning issue," he says, recognising the solution of purely French control over Thomson as a transitional phase. "Thomson does not want to proceed with a reorganisation without thinking ahead about European alliances. We should know who our future European partners are likely to be as soon as possible."

Mr Tchuruk is critical of past cross-border alliances in defence and aerospace. Consortia like aircraft manufacturer Airbus are hard to run, and he dislikes joint ventures – not least the energy-engineering venture he inherited with OEC. "We must have the courage to create real companies."

Though coincidental, this week's wave of corporate activity is symptomatic that "things have started to move". The emergence of hostile takeovers shows that market forces are at work.

Mr Tchuruk had a long career in Mobil, the oil company, before being recruited in the 1980s to the French chemicals giant Rhone-Poulenc. As such he is part of a new breed of internationally minded managers. At Alcatel, Mr Tchuruk was not



Serge Tchuruk

afraid to make the biggest write-down in French corporate history: his turn-around of the group has earned considerable respect. But dealing with Thomson will require astute political footwork, not just good corporate governance.

Robert Graham

The man behind one of the largest and boldest takeovers in French business history – the Frégén (\$2.35bn) hostile bid by Italian insurer Generali for its French rival AGF on Monday – seems an unlikely iconoclast.

After all, Antoine Bernheim, aged 73 and immaculately dressed in a three-piece suit, has achieved the impressive feat of penetrating the heart of both the French and the Italian business networks of influence.

He is a senior partner with the powerful investment bank Lazard Frères in Paris as well as being chairman of Generali. He sits on numerous boards, and has a reputation as a corporate kingmaker. "He is Lazard Paris," says one associate. "He is the embodiment of the firm. Silent, secretive – and a remarkable money maker."

Recruited to the bank in 1967, Mr Bernheim adapted Lazard's approach of working both as external adviser and as director of companies being advised. Thus he became a member of the board of the insurance group La France IARD in the same year he joined Lazard, and worked throughout the 1980s as chairman of the retailer Euromarché.

Yet this week, the supposedly archetypal insider personally engineered the hostile takeover that broke all records. It shocked a French stock market which is more used to deals being concluded amicably long before they become public.

The action is less surprising than it might appear at first sight. For beneath his veneer as an insider, a figure emerges who is far from typical

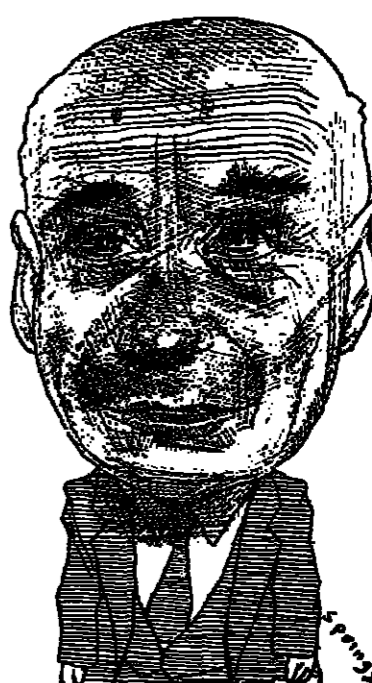
of the French elite. "He is not part of the establishment," says a friend. "In fact, he hates the establishment." A Jew born in Paris whose parents were murdered during the second world war, Mr Bernheim did not attend an elite school or college. He trained as a lawyer before taking up the family property business.

He has often shown a preference for outsiders fond of tough battles, including the businessman Vincent Bolloré, Claude Bébear, the head of the insurer Axa-CAP, and Bernard Arnault, now chairman of the LVMH luxury goods group, who this week removed his objections to the merger of Guinness and Grand Metropolitan, which will create the world's largest drinks company.

He has even built bridges with the financier François Pinault, who evicted him from the board of Printemps, the retailer, and whose hostile bid last month for Worms, the French conglomerate, set in train the current wave of takeovers.

In Italy, Mr Bernheim has been linked to the leading business names – Agnelli, de Benedetti, Cuccia – through various roles: as director of Generali since 1976 and as its chairman for the past two years; as a senior partner with the Milan-based investment bank Mediobanca, and through several directorships including the foodstuffs group Eridania Béghin-Say.

In that respect, Mr Bernheim has long represented pan-European business – not always without tensions: the Agnelli deal did not inform him of their joint bid with AGF for Worms, which owns Athens, the insurance



Antoine Bernheim

business that Mr Bernheim had been attempting to buy for Generali.

Now he must balance that Italian relationship against the destabilising influence of his counter-bid for AGF. A skilful bridge player, Mr Bernheim has not yet played his last card.

Andrew Jack

Return of the junk bond king

Richard Waters looks at the wider dangers raised by the battle to buy MCI

When the history of the late-20th century bull market is written, the fight for MCI Communications may go down as the high water mark. For this is not just a story about the changes sweeping the telecoms industry: it is about how the massive liquidity in the US equity and debt markets is being used to float corporate takeovers on a scale that would have seemed unimaginable even in the go-go 1980s.

Before it is done, it may also turn out to be a story about the excesses that fevered financial markets can encourage.

On one side of this battle is the flamboyant Bernard Ebbers, a man whose career has been built on cheap equity. It is no coincidence that his company, WorldCom, was formed in 1983 – the year that the latest long-run bull market took off. Mr Ebbers' stock has risen further than most in the intervening years, giving him the most powerful takeover currency of any big telecoms company, bar none. He is now hoping to print \$30bn of this stock to buy one of the jewels of the world's telecoms industry.

On the other side stands the unlikely figure of Charles Lee, chairman of GTE. An unassuming man who until now has laboured in relative obscurity at the helm of one of America's largest companies, Mr Lee bears more resemblance to the staid executives his

industry has traditionally produced than the iconoclastic Mr Ebbers. Yet he has a powerful weapon at his disposal: cheap debt.

The numbers sound astounding. Mr Lee reckons that MCI's owners would rather receive hard cash for their shares than Mr Ebbers' puffed-up equity. He is proposing to raise \$28bn of debt from banks and the bond markets for the purpose. After a takeover, his company would be sitting on a mountain of debt amounting to \$54bn in all. That is roughly twice the sum taken on with the buy-out of RJR Nabisco, the deal that proved to be Wall Street's high-water mark of the 1980s.

When Michael Milken, the junk-bond king, preached the virtues of financial leverage in the early-1980s, he could hardly have expected that a conservative executive such as Mr Lee would be his follower. Is a company that has always pursued the cautious financial policy of a staid utility really planning to subvert its own balance sheet to pull off such an audacious bid?

The sight of GTE entering the fray in this way says a lot about the state of credit markets. The US banking system is in decent shape – its main problem, in fact, is a lack of customers. Most large banks, starved of opportunities to lend more profitably, have resorted to buying back their own shares as a way of keeping their earnings rising.

The bond markets are also awash with cash – and seemingly oblivious to the sort of credit risks that stalk Wall Street when times are bad. The best measure of this is the spread between the yields on the highest-quality corporate bonds and those on lower-rated companies. By this measure, the best-regarded borrowers have little advantage at the moment. GTE would probably pay an interest rate of only 0.7 percentage points more than a top-rated AAA borrower.

Against that background, GTE's actions this week seem logical. Why should the company sit on the sidelines of the MCI battle defending its highly rated balance sheet, if capital markets no longer seem to value such financial rectitude?

As one person close to GTE put it yesterday: capital is available in abundance.

Most large banks have resorted to buying back their own shares as a way of keeping their earnings rising

but there is "a limited supply of strategically attractive transactions" as the US telecoms industry consolidates. Faced with that sort of choice, most corporate executives would no doubt do just what Mr Lee has done.

To be fair, the GTE debt mountain would not be likely to bury its balance sheet entirely. The main US credit rating agencies reckon the company would comfortably qualify for an investment-grade rating after buying MCI – something that would set it apart from the likes of RJR Nabisco, Time Warner and other junk bond-financed deals.

Supporting the debt, after all, would be \$18bn in earnings before interest, taxes, depreciation and amortisation (or "EBITDA"). This is the best measure of a company's ability to support debt payments and the financial yardstick that became popular in the 1980s. Compare that with Time Warner: eight years after the merger that created it, the media and entertainment group last year was still supporting \$12.7bn of debt on an EBITDA of \$2.2bn.

If all of this looks relatively stable, though, it is worth remembering the sins of the past. What happens if the financial projections on which such gigantic financial structures are founded prove over-optimistic, and either Mr Lee or Mr Ebbers is unable to make a merger with MCI work?

There is little room for error. Based on the high

value placed on WorldCom's stock, Wall Street expects a combined WorldCom/MCI to enjoy a premium rating on the stock market that will set it apart from every other large telecoms company. Any suggestion that his company was gravitating to the merely ordinary would be devastating. If GTE won, Mr Lee would find himself hemmed in with a massive annual interest bill and is talking of selling assets after a merger to win back some financial flexibility.

There is another, more worrying danger, however. Accommodating financial markets invariably lead to over-inflated corporate ambitions.

The risk for shareholders in both GTE and WorldCom must be that their companies, armed with cheap money and a perception on both sides that they cannot afford to let the other company win, will keep raising their bids further in the months ahead. Wall Street is already talking about increases in both bids of another 10 per cent or more.

Certainly, Mr Lee made it clear at a meeting of analysts in New York earlier this week that he believed the case for his acquisition was "overwhelming", and that he would do whatever was necessary to see it through. Of the GTE management team, one adviser adds: "They do have the vision, and they do have the guts." For one of the greatest bull markets ever, the clock may now be ticking.



Smouldering swamps: futile attempts are made to extinguish fires that continue to spread

Smoke at the end of the world

Quentin Peel and Sander Thoenes report from Borneo on the cause of recent fires

It feels like the end of the world. The light is a livid yellowish-grey. The sun has vanished behind a haze of smoke. Cars are driving with their headlights ablaze at three o'clock in the afternoon. And the earth is on fire.

Indonesia's fires do not rage through the forests. They sneak through the peat swamps of Kalimantan and Sumatra, invisible at times to both human eye and satellites alike. They dive meters deep into the peat and surface wherever the soil is dry and the wind is strong. They are man-made – started to clear land for small-time farmers and vast commercial palm-oil plantations.

The extraordinary thing is no one seems to care. From Banjarmasin to Palangka Raya in central Kalimantan, a distance of nearly 200km, you are never out of sight of a smouldering fire. There are very few flames, mainly smoke. But farmers are still lighting new fires to clear the land for farming. And there is no sign of an effort to stop.

Four months after the fires began to spread out of control in the midst of a severe drought, large parts of Indonesia's archipelago are still wrapped in a choking haze. Officials had declared victory after the first rains came last week, but only a full-scale monsoon will extinguish the fires for good. This week officials admitted that the number of hotspots detected by satellite had risen once again.

They counted 53 large fires on Thursday, compared with just 18 last week. In central Kalimantan, government officials admitted fires had burned out two villages in areas where, only days before, they had denied the existence of any danger.

Estimates of the damage

range from 100,000ha to 700,000ha, including villages, wildlife reserves, timber concessions and palm oil plantations. Jack Riley, a peat bog specialist at the University of Nottingham in the UK, estimates that the fires in Indonesia could release more carbon dioxide into the atmosphere over the next six months than all the power stations and cars in western Europe emit in a year.

Malaysia, the worst affected of the five neighbouring countries plagued by smoke from Indonesia, has sent more than 1,000 fire-fighters to nearby Sumatra. Australia has lent two water bombers and this week three US military transport aeroplanes were set to arrive, each capable of dropping 3,000 gallons of water per flight.

But there is little evidence that Jakarta has rallied serious resources to battle the flames or that the small-time farmers and large palm-oil plantation owners who began them will change their ways. There are even allegations that the government is partly responsible.

Beyond the ferry at Pulau Pisau, across the Kahayan river, lies the start of "the Project" – a brainchild of Indonesia's President Suharto. It is a huge exercise in human and agricultural engineering, a plan to clear 1m hectares of Borneo's peat swamps to plant rice and resettle 30,000 farmers from Java and Bali to grow it.

The area, larger than northern Ireland, is almost entirely peat bog, which agronomists say is poorly suited for rice. Vast areas are being cleared along the roadside, by bulldozer and, according to local farmers and environmentalists, also by fire.

"The fires came from the Project," says one shop-

keeper at the side of the road, pointing at blackened fields. "They just let it burn, and then they started clearing the land for the rice fields."

Sumatra Timur Indonesia and Wijaya Karia, government contractors for the Project, have carved up the territory with canals to drain the swamps and have converted 18,000ha of swamp to rice fields so far. But Sutrisno Ruslan, regional director for public works in Palangka Raya, says the contractors were not responsible for the fires. He blames resettled farmers and local tribespeople. "One transmigrant gets 2ha. Maybe they are too lazy to clear it up and just set it on fire," he says.

Owners of the palm-oil plantations are even worse, says Mr Ruslan: "They rushed to open new plantations because the price for palm oil is good, and just set the fields on fire. That caused the biggest fires."

In Palangka Raya, some 50 lecturers and students at the university have set up a volunteer fire-fighting team, equipped with water pumps, hoses and mobile phones. They have discovered that smouldering peat can only be extinguished when inundated with water. It can take days to complete the job.

"The army only has sticks," says Suwido Limin, the agronomist heading the team. "That is no good. You need gallons of water to stop it."

He knows that, in the end, the monsoon will solve the problem, though this year, it is feared, heavy rains may not arrive before December. Next year, the problem may be back again. Unless the rules are changed, and the government clamps down on offenders, it could very well be worse.

Jean Eaglesham explains how the City's new share dealing system will work

Get ready, get Sets, go

The new share dealing system to be introduced into the City on Monday marks the most radical change in the way the London stock market works since the Big Bang reforms of 1986, when trading moved from the floor of the stock exchange to screens and telephones.

Monday's move, dubbed Big Bang 2 by the City, is a switch from a so-called "quote-driven" system of trading, where deals are done through marketmakers who quote buying and selling prices for shares, to an "order-driven" system, where orders to buy or sell shares will be matched automatically by computers.

It should. The order book, known formally as the Stock Exchange Electronic Trading Service, or Sets, cuts out the middleman, in the shape of the marketmaker. This should reduce dealing costs. Credit Lyonnais Laing, the broker, estimates that the average spread between the buying and selling prices will drop from 0.6 per cent to about 0.2 per cent. This is equivalent to a £100 saving on a £25,000 deal.

There could be other savings in the medium to long term. The fact that the new system is electronic should make it easier for stockbrokers to automate their operations, linking electronic dealing with electronic settlement, and reducing paperwork. This should cut costs and, hence, the average dealing commission. How do I use the order book?

There are two main types of order that private investors can ask their stockbroker to place – "at best" and "limit" orders. At best deals are completed as soon as they are placed by the broker at the best price available on the order book at that time. With limit orders, you set the price you are prepared to buy or sell a given number of shares at and your order is dealt with as soon as there is a suitable deal to match it. The trading hours of the stock exchange are unchanged – 8.30am to 4.30pm.

Will all share deals go through the order book? No. The order book will initially be limited to deals in the 100 biggest quoted stocks on the London stock market, the FTSE 100,

although the exchange says it is likely the system will be extended to the next 250 biggest companies soon.

Deals of fewer than 1,000 shares (or 500 if the share price is over £5) are excluded. So are deals for longer than the standard settlement time – five days – which covers the vast majority of deals done using share certificates.

Even where deals meet the order book criteria, they may not go through it. Stockbrokers acting for private clients say they will often choose not to use the order book because of perceived disadvantages in the service it offers. They argue, for example, that it will increase the risk of dealing with a company that cannot afford to pay for shares since the system is anonymous. Does that mean private investors will lose out?

Not necessarily – in fact, they should benefit. Deals outside the order book will still be done in the traditional way using marketmakers, renamed Retail Service Providers. The RSPs have to match the best prices on the order book, so private investors should still benefit from the likely nar-

rowing in the spread between buying and selling prices.

In theory, at least, private investors get the best of both worlds – the freedom to deal outside the order book and the cheaper dealing that Sets should bring.

What could go wrong? In practice, private investors may find that the new system does not live up to the rosy picture the stock exchange has been keen to paint.

While the marketmakers have to match the best order prices for deals done for five-day settlement, they could decide to charge more for longer settlement times. Many stockbrokers are predicting the system will lead to dual pricing – investors using share certificates will get worse dealing prices than investors whose shares are held electronically.

A more serious risk with Sets is that the marketmakers may decide that the thinner dealing margins make non-order book trading too expensive to be commercially viable. They could then stop offering their service altogether. The risk of private investors being left stranded is heightened by

the fact that there are only four Retail Service Providers at present – Aitken Campbell, BZW, Dresdner Kleinwort Benson and Merrill Lynch.

Unlike the current set up, there is also no guarantee that the four will provide a service in all market conditions. "If we went into a major bear market and prices started to slide, [the Retail Service Providers] would be fully entitled to just put the phone down," warns Gavin Oldham, chief executive of The Share Centre, the stockbroker.

The stock exchange says it has contingency plans should private investors run into problems. It would, within hours, allow small deals to be traded on the order book, allowing more private investors access to the system. A longer term solution would be to develop a parallel order book specifically for private investors that would cope with 10-day settlement, as well as small deals. But the exchange stresses that this is very much a worst case scenario – the assumption is that the marketmaking system (which will continue) will work perfectly adequately.

Never a ripe time for EMM

Chance to sell up a storm

Iraq threat sparks oil price rise

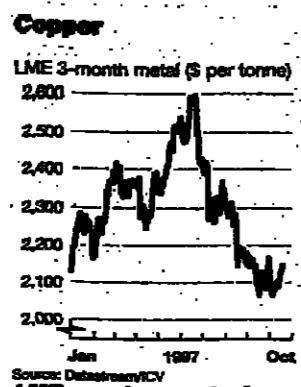
MARKETS REPORT

By Susanna Voyle

Crude oil prices jumped yesterday on worries that a UN over sanctions could hit oil supplies.

Oil markets took fright on Thursday at a belligerent Iraqi response to a threat of new UN sanctions that would bar travel for members of its military and intelligence services. Iraq said it would drop all co-operation with arms inspectors if the new sanctions were imposed.

The upwards oil price gained momentum yesterday when Nizar Hamdoun, Iraq's ambassador to the UN, repeated the threat - and opened the possibility that the sanctions would affect the oil-for-food deal. Forecasts of colder weather in the US also helped boost prices, as did Kurdish faction fighting in northern Iraq and people covering their "short" positions - taken effectively as bets that the market would fall - ahead of the weekend.



Commodity	Price	Change
Aluminium	742,850	+1,300
Aluminium alloy	45,500	+250
Copper	336,825	+575
Lead	115,875	+350
Nickel	64,500	+372
Zinc	453,250	+75
Tin	10,520	+245

Rudolf Wolff, a subsidiary of Noranda, said copper's bearish position suggested further selling pressure. "Should this emerge and copper break through \$2,080, then next levels of support are placed at \$2,052 and \$2,020," he added.

Robin Bahr of brokers Brandeis said copper prices were "locked in a downward trend", but signs of some Chinese buying in morning rings had kept prices above the day's lows of \$2,095. "Their action is not going to turn a bear market into a bull market but it should be just enough to support the downside," he said.

Other metals held to established ranges, with the exception of tin, which slid to a one-month low, ending the day at \$5,565, a loss of \$100 on the day and just \$10 off the day's low.

Martin Squires, analyst at

BASE METALS

LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)

Commodity	Unit	Price	Change
Aluminium 99.7% purity	£/tonne	742,850	+1,300
Aluminium alloy	£/tonne	45,500	+250
Copper	£/tonne	336,825	+575
Lead	£/tonne	115,875	+350
Nickel	£/tonne	64,500	+372
Zinc	£/tonne	453,250	+75
Tin	£/tonne	10,520	+245

ALUMINIUM ALLOY (£/tonne)

Commodity	Price	Change
Close	1447-52	+147-75
Previous	1450-55	+147-75
High/Low	1470-72	+147-72
AM Official	1442-7	+147-72
Karb close	1470-74	+147-74
Open int.	5,182	
Total daily turnover	1,427	

LEAD (£/tonne)

Commodity	Price	Change
Close	599-0	609-10
Previous	601-02	612-15-15
High/Low	612-09	612-09
AM Official	599-05	609-10
Karb close	609-10	609-10
Open int.	29,802	
Total daily turnover	7,143	

NICKEL (£/tonne)

Commodity	Price	Change
Close	645-05	654-50
Previous	645-05	657-80
High/Low	650-05	657-80
AM Official	650-05	657-80
Karb close	657-80	657-80
Open int.	64,800	
Total daily turnover	14,144	

TIN (£/tonne)

Commodity	Price	Change
Close	5530-40	5580-85
Previous	5615-20	5680-85
High/Low	5675-90	5675-90
AM Official	5620-25	5680-85
Karb close	5680-85	5680-85
Open int.	16,475	
Total daily turnover	2,352	

ZINC, special high grade (£/tonne)

Commodity	Price	Change
Close	1299-57	1301-02
Previous	1295-55	1311-29
High/Low	1291-50	1304-5
AM Official	1291-50	1304-5
Karb close	1299-58	1299-58
Open int.	77,770	
Total daily turnover	21,772	

COPPER, grade A (£/tonne)

Commodity	Price	Change
Close	2088-67	2108-07
Previous	2080-92	2110-11
High/Low	2078-5	2115-29
AM Official	2078-5	2115-29
Karb close	2108-10	2108-10
Open int.	148,122	
Total daily turnover	57,970	

LME AM Official 2 1/2% rate 1,820

LME Closing 2 1/2% rate 1,8175

Spot 1.5147 3 mths 1.8200 6 mths 1.8201 12 mths 1.8202

HIGH GRADE COPPER (COMEX)

Commodity	Price	Change
Close	9470	+9420
Previous	9470	+9420
High/Low	9470	+9420
AM Official	9470	+9420
Karb close	9470	+9420
Open int.	11,221	
Total daily turnover	10,763	

PRECIOUS METALS

LONDON METAL EXCHANGE

(Prices supplied by N M Rothschild)

Nov	95.16	+0.35	95.50	94.70	170	2,528
Dec	95.75	+0.35	96.20	95.00	11,321	27,121
Jan	95.95	+0.45	96.40	95.95	10	1,063
Feb	95.85	+0.35	96.20	95.95	11	1,154
Mar	96.10	+0.35	96.50	95.55	919	6,395

Day's High

325.00-25.40

Day's Low

323.00-23.80

Previous close

323.00-23.80

Low bid

323.00-23.80

High ask

325.00-25.40

1 month

2.46 12 months 2.89

3 months

2.41

Silver fix

p/roy oz US cts equiv.

300.30 491.80

3 months 300.30 491.80

6 months 300.30 491.80

9 months 300.30 491.80

1 year 315.30 504.20

Gold Coins 327-329

Kruggerand 327-329

Maple Leaf 327-329

New Sovereign 76-78 47-48

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

	Sett price	Day's change	High	low	Vol	Open int
Oct	324.3	-0.6	324.1	323.0	4	135
Nov	324.9	-0.8	—	—	303	1
Dec	326.2	-0.6	327.7	324.5	32,293	65,673
Feb	327.8	-0.5	329.4	326.0	847	22,407
Mar	329.5	-0.4	330.5	328.0	177	22,407

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

		36,200 174,000	
■ PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)			
Oct	419.8	-7.7	423.0 422.0 10 148
Jan	421.8	-7.7	426.0 420.5 1,679 13,385
Dec	419.8	-7.7	423.0 422.0 10 148

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

				1,268	14,477
■ PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.)					
Dec	216.35	-7.75	223.50	215.45	1,292 4,098
Mar	212.65	-7.75	216.00	213.00	43 635
Jun	209.15	-7.75	207.00	207.00	

SILVER COMEX (5,000 Troy oz; \$/troy oz)

Total					1,330	4,803
■ SILVER COMEX (5,000 Troy oz.; Gents/troy oz.)						
Oct	422.4	+4.8	-	-	8	6
Nov	424.0	+4.8	-	-	1	1
Dec	425.8	+4.8	427.5	428.0	31,082	68,554

ENERGY

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

ENERGY	
■ CRUDE OIL NYMEX (1,000 barrels; \$/barrel)	

CRUDE OIL ICE (\$/barrel)

Nov	21.38	+0.42	21.55	20.97	39,484	56,222
Dec	21.58	+0.47	21.75	21.10	42,893	106.4k
Jan	21.51	+0.43	21.85	21.15	6,985	48,448
Feb	21.40	+0.41	21.48	21.13	3,417	27,773
Mar	21.32	+0.42	21.35	21.06	1,855	15,511

HEATING OIL NYMEX (\$/barrel)

■ CRUDE OIL FPE (\$/barrel)						
	Latest price	Day's change	High	Low	Vol	Open int
Dec	20.38	+0.46	20.58	20.06	16,999	80,882
Jan	20.34	+0.45	20.55	20.02	4,461	80,000

GAS OIL ICE (\$/barrel)

Mar	21.14	+0.48	21.14	19.00	376	3,612
Apr	19.77	+0.24	19.65	19.73	308	3,217
May	18.59	+0.18	19.61	19.99	35	3,587
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US gals.; c/US gals.)

NATURAL GAS NYMEX (\$/100 cu ft)

Nov	59.10	+1.09	59.20	58.10	13,754	38,617
Dec	60.00	+1.02	60.20	59.30	11,012	42,977
Jan	60.60	+1.02	60.80	60.00	2,018	21,918
Feb	60.70	+0.92	60.80	60.20	1,259	11,409
Mar	59.60	+0.62	59.60	59.20	640	8,177

NATURAL GAS NYMEX (\$/100 cu ft)

■ GAS OIL, FE (\$/tonne)						
	Sett price	Day's change	High	Low	Vol	Open Int
Nov	183.50	+3.50	184.25	181.50	9,588	35,103

NATURAL GAS NYMEX (\$/100 cu ft)

Feb	188.00	+3.00	188.00	184.50	368	7,445
Mar	183.50	+3.00	183.50	182.25	349	5,102
Apr	181.00	+3.00	180.00	180.00	2	2,405
Total					12,886	98,476

■ NATURAL GAS FE (1.000 Btu) (DASHES PER TON)

NATURAL GAS NYMEX (\$/100 cu ft)

Dec	15.470	-0.100	15.500	15.470	70	1,460
Total					250	12,210
■ NATURAL GAS NYMEX (10,000 mmbtu; \$/mmbtu)						
Latest	Day's					Open
price	change	High	Low	Set		int.

NATURAL GAS NYMEX (\$/100 cu ft)

Dec	3,265	+0.031	3,374	3,275	14,311	42,144
Jan	3,300	+0.036	3,330	3,201	7,063	28,111
Feb	2,960	+0.020	2,980	2,910	5,807	20,950
Mar	2,670	+0.030	2,680	2,620	1,840	14,998
Apr	2,375	-	2,415	2,355	880	8,958
Total					31,901	104,161

NATURAL GAS NYMEX (\$/100 cu ft)

NYMEX (42,000 US gals.; c/US gals.)						
	Latest price	Day's change	High	Low	Vol	Open int.
Nov	60.85	+1.17	61.05	59.60	13,868	28,913
Dec	60.50	+1.20	60.70	59.30	5,473	21,000

NATURAL GAS NYMEX (\$/100 cu ft)

Mar	60.60	+1.20	60.70	59.50	1,125	6,930
Mar	61.25	+1.15	61.25	60.40	1,141	6,586
Apr	62.60	-	-	-	1,638	3,065
Total					28,102	83,445

UNIT TRUSTS

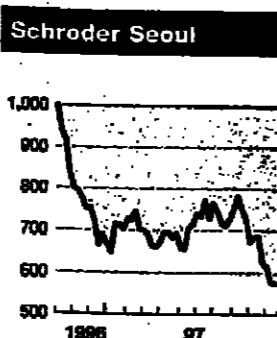
WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR

CF Shaw Utilities	1,520
Aberdeen Frontier Markets	1,494
Fleming Select Latin America	1,447
M&G American Recovery	1,434
Abbey Latin American	1,412

BOTTOM FIVE OVER 1 YEAR

Old Mutual Thailand Acc	431
Save & Prosper Gold & Exp	515
Henderson Japan Smaller Cos	549
Save & Prosper Japan Small Cos	568
Schroder Seoul	576

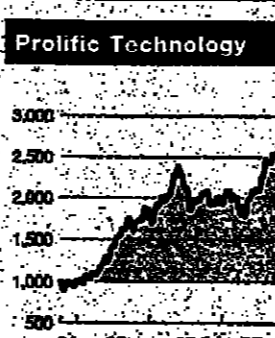


TOP FIVE OVER 3 YEARS

Hill Samuel US Smaller Cos	2,623
PM North America Growth	2,585
Prolific Technology	2,556
Franklin Health	2,438
Royal Life United States	2,287

BOTTOM FIVE OVER 3 YEARS

Old Mutual Thailand Acc	239
Save & Prosper Korea	358
Baring Korea	430
Schroder Seoul	434
Friends Prov Japanese Sm Cos	450

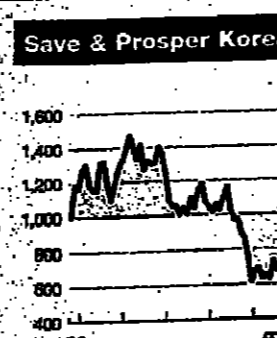


TOP FIVE OVER 5 YEARS

Prolific Technology	4,250
Gartmore American Emer Gth	4,082
PM North America Growth	3,991
Old Mutual European	3,963
Hill Samuel US Smaller Cos	3,742

BOTTOM FIVE OVER 5 YEARS

Save & Prosper Korea	534
Henderson Japan Smaller Cos	779
Baring Japan Sunrise	816
Save & Prosper Japan Small Cos	818
M&G Japan & General Acc	841

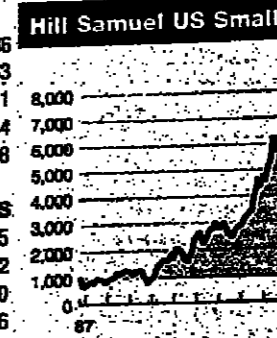


TOP FIVE OVER 10 YEARS

Hill Samuel US Smaller Cos	7,885
F&G US Small Companies	7,463
Franklin Health	5,991
Gartmore American Emer Gth	5,834
Friends Prov European Gth	5,858

BOTTOM FIVE OVER 10 YEARS

Waverley Australian Gold	305
Barclays Japan Inc	482
Henderson Japan Smaller Cos	590
Save & Prosper Gold & Exp	595
M&G Japan & General Acc	598



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Source: Reuters (01625 511311)

Indices

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
Average Unit Trust	1066	1377	2038	2289	3.1	2.4									
Average Investment Trust	1180	1383	2410	2424	4.4	5.0									
Bank	1036	1113	1199	1815	0.0	5.5									
Building Society	1033	1111	1204	1819	0.0	5.2									
Stockmarket FTSE All-Share	1280	1774	2413	2716	2.2	3.2									
Inflation	1036	1088	1143	1548	0.3	-									

UK Growth

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
Johnson Fry Slater Growth	1211	2136	2695	-	3.1	0.9									
Jupiter UK Growth	1138	1918	3012	-	2.4	1.7									
River & Mercantile 1st Growth	1267	1890	-	-	2.5	1.0									
Mercury Recovery	1160	1882	2589	1919	3.0	1.5									
OM Hartley Growth	1210	1880	2789	-	2.4	0.5									
SECTOR AVERAGE	1158	1584	2244	2057	2.5	1.7									

UK Growth & Income

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
Fleming Select UK Income	1343	1852	2754	2455	2.3	3.3									
Britannia UK General Inc	1234	1771	2222	2028	2.4	2.8									
Co-op Pens Equity Dis	1276	1765	2220	-	2.6	3.0									
Lazard UK Income & Growth	1219	1785	2320	2487	2.2	2.9									
Henderson Ex Income & Growth	1235	1732	2177	2557	2.2	2.9									
SECTOR AVERAGE	1192	1575	2182	2286	2.3	2.4									

UK Smaller Companies

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
Gartmore UK Smaller Companies	1126	2046	3191	1788	3.3	0.4									
Laurence Keen Smaller Cos	1108	1910	-	-	3.0	1.1									
INVESTCO UK Smaller Companies	1044	1866	3117	1552	3.8	1.6									
AES Smaller Companies	1066	1856	2592	-	2.9	1.2									
Britannia Smaller Co's Acc	1118	1778	1915	1840	2.9	0.4									
SECTOR AVERAGE	1030	1411	2302	1515	3.0	1.6									

UK Equity Income

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
Jupiter Income	1219	1990	3385	3690	2.2	3.7									
Lazard UK Income	1223	1812	2582	3000	2.2	3.7									
Britannia High Yield Inc	1185	1725	2656	2851	2.2	3.7									
BWD UK Equity Income	1225	1714	2676	2525	2.0	3.6									
Mercury Income	1228	1708	2428	2505	2.4	3.5									
SECTOR AVERAGE	1191	1537	2281	2288	2.3	4.1									

UK Equity & Bond Income

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
Prolific Extra Income	1186	1820	2273	2146	2.1	3.9									
Edinburgh High Distribution	1185	1562	2191	1729	2.3	3.6									
CIS UK Income	1218	1547	2135	-	2.4	3.6									
Midland Monthly Income	1231	1538	-	-	2.0	3.8									
Clear Med Retirement Income Inc	1226	1532	2264	-	2.3	5.2									
SECTOR AVERAGE	1148	1417	2037	1941	1.9	5.1									

UK Eq & Bd

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
BWD Balanced Portfolio	1187	1772	2822	-	2.7	1.2									
Perpetual High Income	1216	1689	2679	-	2.0	3.0									
Growth Success High Income Port	1168	1628	2451	-	2.2	3.9									
Carlife Income Dis	1197	1610	2202	2214	1.9	3.0									
NRI UK Extra Income Inc	1104	1537	2282	-	2.0	3.2									
SECTOR AVERAGE	1151	1532	2286	2187	2.0	2.8									

UK Fixed Interest

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
Aberdeen Fixed Interest	1140	1507	2608	2714	1.5	8.1									
Thornion Preference Inc	1141	1477	1771	2509	1.8	7.7									
Henderson Preference & Bond	1142	1438	1688	2044	1.4	7.6									
M&G Corporate Bond	1168	1438	-	-	1.9	6.3									
CU PPT Monthly Income Plus	1177	1428	1883	-	1.8	7.6									
SECTOR AVERAGE	1089	1334	1607	2120	1.6	6.4									

UK Gift

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
M&G Gift & Fixed Interest	1143	1374	1498	2148	1.8	5.8									
Gartmore PS Fixed Interest	1124	1336	1506	-	1.8	6.8									
Murray Acumen Reserve	1104	1321	1487	-	1.5	6.4									
Mercury Long-Dated Bond	1129	1324	-	-	2.2	5.3									
Schroder Gift & Fixed Int Acc	1082	1300	1454	-	1.8	7.3									
SECTOR AVERAGE	1074	1241	1373	2082	1.5	5.7									

International Equity Income

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
GT International Income Inc	1183	1539	2048	2771	2.5	1.9									
Marlin Currie Int'l Income	1188	1523	2201	-	2.4	3.3									
Thornion Global Income	1157	1457	2116	2207	1.9	2.6									
M&G International Income	1175	1429	2130	2837	2.4	3.7									
Barclays International Income	1168	1415	1906	1854	2.7	1.3									
SECTOR AVERAGE	1129	1437	2018	2158	2.4	2.4									

International Fixed Interest

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
Baring Global Bond	1024	1335	1554	-	1.4	4.6									
Newton International Bond	1031	1290	1438	-	2.1	4.7									
City Financial Backman Int'l	985	1265	1298	1884	2.0	5.0									
Old Mutual Worldwide Bond Inc	1011	1257	1340	2101	1.7	5.1									
Barclays BGI Int'l Fxd Int Inc	1030	1240	-	-	1.0	6.0									
SECTOR AVERAGE	988	1149	1270	1850	1.8	4.9									

International Equity & Bond

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030	Volatility	Yield%
Bank of Ireland Ex Mgd Growth	1138	1598	2096	-	1.9	2.3									
Fleming General Opportunities	1182	1519	1918	-	1.9	3.0									
Capel-Cure Halfmark Growth	1203	1505	1906	2176	2.4	1.5									
Newton Bridge	1196	1489	-	-	2.5	2.3									
Baillie Gifford Managed	1148	1487	1959	2463	2.3	2.4									
SECTOR AVERAGE	1108	1363	1798	2181	2.1	2.2									

International

Index	1996	1997	2000	2003	2006	2009	2012	2015	2018	2021	2024	2027	2030
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	Ind. Mgmt	Colling	Regist	+ or -	Yield
	Change	Pts	Pts		%/a
Commonwealth Trusts Ltd (65000F)					
Financial Ctr., 10 St Marys Place, Manchester					
Tel: 0161 831 7400					
Portfolio	52%	177Ad	125.30	+4.00	-
Overseas Management Company Ltd (12000F)					
Financial Ctr., 40 Borough High St, London SE1 1ST					
Tel: 0845 239 8844					
Geography	0171 526 0800				
Portfolio	5	380.7%	633.57	-0.58	2.63
Equities	5	60.8%	98.34	-0.45	2.83
Bonds	5	67.8%	497.25	-0.45	1.6
Property	5	67.8%	504.23	-0.85	1.6
Others	5	67.8%	504.23	-0.85	1.6

Real Growth %	34	79.84	82.82	-0.45	0.2
Location %	2	172.69	181.23	-	2.97

Funds Managed Ltd (70000)		9800 465222			
Millennium SR, EDG, AGS					
(Miles)	5	367.4	392.8	-2.00	0.06
(Miles)	5	390.0	400.3	-1.00	0.00
(Miles)	5	195.20	194.7	-0.09	0.00
(Miles)	5	198.0	198.0	0.00	0.00
(Miles)	5	234.7d	236.0	-0.60	2.59
(Miles)	5	185.40	177.7	-0.80	2.27
(Miles)	5	191.3	191.3	0.00	0.00
(Miles)	5	153.5	153.5	0.00	0.00
(Miles)	5	194.5	194.5	0.00	0.00
(Miles)	5	190.0	178.0	-0.10	0.17
(Miles)	5	411.5	442.0	-4.50	0.15
(Miles)	5	192.0	192.0	0.00	0.00
(Miles)	5	105.1	105.1	0.00	0.00
(Miles)	5	194.5	194.5	-1.80	3.71
(Miles)	5	794.20	791.2	-3.00	2.08
(Miles)	5	192.0	192.0	0.00	0.00
(Miles)	5	120.00	133.0	-0.20	4.32
(Miles)	5	175.00	185.0	-0.20	4.32
(Miles)	5	193.4	193.5	-0.40	3.21
(Miles)	5	227.7	227.7	0.00	0.00
(Miles)	5	192.0	192.0	-0.80	0.41
(Miles)	5	198.3	191.3	-0.70	0.41
(Miles)	5	198.3	111.4	-0.80	5.00
(Miles)	5	198.3	198.3	0.00	0.00

	1992	1993	1994	1995
United States	348.2	290.8	-0.30	3.45
United Kingdom	427.2	447.8	-0.30	3.68
France	331.9	350.2	-0.30	0.88
Portugal	125.1	125.1	-0.30	0.88
Spain	125.1	125.1	-0.30	0.88
Italy	673.8	721.0	-0.30	0.88
United States	683.1	670.5	-4.80	0.88
United Kingdom	1083.1	1170.5	-0.30	0.88
France	1083.1	1170.5	-0.30	0.88
Portugal	1083.1	1170.5	-0.30	0.88
Spain	1083.1	1170.5	-0.30	0.88
Italy	1083.1	1170.5	-0.30	0.88
United States	150.6	161.8	-0.30	1.77
United Kingdom	1607.8	172.8	-0.30	1.77
France	153.1	164.2	-0.30	1.77
Portugal	111.8	125.1	-0.30	2.58
Spain	148.5	153.1	-0.30	2.58
Italy	147.5	148.5	-0.60	3.67
United States	396.3	316.7	-0.30	0.88
United Kingdom	396.3	316.7	-0.30	0.88
France	396.3	316.7	-0.30	0.88
Portugal	396.3	316.7	-0.30	0.88
Spain	396.3	316.7	-0.30	0.88
Italy	396.3	316.7	-0.30	0.88
United States	757.4	707.6	-0.20	1.49
United Kingdom	67.285	67.28	-0.20	1.49
France	76.04	84.05	-0.20	0.81
Portugal	178.04	182.6	-0.60	0.81
Spain	178.04	182.6	-0.60	0.81
Italy	178.04	182.6	-0.60	0.81

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Net Profit	6	129.35	205.05	-0.83	0.11
Pre-Formation	6	68.20	68.03	-0.02	0.00
Net Profit	34	110.01	91.21	-0.18	0.15
Net Profit	34	52.49	53.36	-0.19	0.05
Net Profit	34	67.23	703.59	-0.41	1.11
Net Profit	68	68.85	94.35	-0.04	0.00
Net Profit	68	132.67	132.67	-0.00	0.00
Net Profit	68	181.94	197.78	-0.54	0.76
Net Profit	68	118.01	128.03	-0.34	0.75

of United Trust Management Ltd (12/20/20)
245 45022

Net Profit	4	80.50	84.29	1945	45022
Net Profit	4	91.34	91.34	-0.00	0.00
Net Profit	4	137.5	144.0	-0.3	1.81
Net Profit	34	105.7	105.5	-0.1	0.48
Net Profit	34	116.1	115.2	-0.2	0.48
Net Profit	34	105.7	105.5	-0.03	0.00
Net Profit	4	105.7	105.5	-0.03	0.00
Net Profit	4	87.32	91.43	-0.88	1.82
Net Profit	4	94.88	95.35	-0.1	1.82
Net Profit	4	95.87	97.1	-0.6	1.82
Net Profit	4	179.0	279.0	-0.4	1.82

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Investment	12/30/93	12/31/93	% Chg.
Investment Portfolio (Net Assets)	198.7	197.4	-0.6
Equity	198.7	197.4	-0.6
Fixed Income	198.7	197.4	-0.6
Money Market	198.7	197.4	-0.6
Real Estate	198.7	197.4	-0.6
Commodities	198.7	197.4	-0.6
Options	198.7	197.4	-0.6
Derivatives	198.7	197.4	-0.6
Other	198.7	197.4	-0.6
Unrealized Gain/Loss	198.7	197.4	-0.6
Net Assets	198.7	197.4	-0.6

Grain Processing

Investment	12/30/93	12/31/93	% Chg.
Investment Portfolio (Net Assets)	198.7	197.4	-0.6
Equity	198.7	197.4	-0.6
Fixed Income	198.7	197.4	-0.6
Money Market	198.7	197.4	-0.6
Real Estate	198.7	197.4	-0.6
Commodities	198.7	197.4	-0.6
Options	198.7	197.4	-0.6
Derivatives	198.7	197.4	-0.6
Other	198.7	197.4	-0.6
Unrealized Gain/Loss	198.7	197.4	-0.6
Net Assets	198.7	197.4	-0.6

Grain Processing

Investment	12/30/93	12/31/93	% Chg.
Investment Portfolio (Net Assets)	198.7	197.4	-0.6
Equity	198.7	197.4	-0.6
Fixed Income	198.7	197.4	-0.6
Money Market	198.7	197.4	-0.6
Real Estate	198.7	197.4	-0.6
Commodities	198.7	197.4	-0.6
Options	198.7	197.4	-0.6
Derivatives	198.7	197.4	-0.6
Other	198.7	197.4	-0.6
Unrealized Gain/Loss	198.7	197.4	-0.6
Net Assets	198.7	197.4	-0.6

Grain Processing

Investment	12/30/93	12/31/93	% Chg.
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Fixed Income	198.7	197.4	-0.6
Money Market	198.7	197.4	-0.6
Real Estate	198.7	197.4	-0.6
Commodities	198.7	197.4	-0.6
Options	198.7	197.4	-0.6
Derivatives	198.7	197.4	-0.6
Other	198.7	197.4	-0.6
Unrealized Gain/Loss	198.7	197.4	-0.6
Net Assets	198.7	197.4	-0.6

Grain Processing

Investment	12/30/93	12/31/93	% Chg.
Investment Portfolio (Net Assets)	198.7	197.4	-0.6
Equity	198.7	197.4	-0.6
Fixed Income	198.7	197.4	-0.6
Money Market	198.7	197.4	-0.6
Real Estate	198.7	197.4	-0.6
Commodities	198.7	197.4	-0.6
Options	198.7	197.4	-0.6
Derivatives	198.7	197.4	-0.6
Other	198.7	197.4	-0.6
Unrealized Gain/Loss	198.7	197.4	-0.6
Net Assets	198.7	197.4	-0.6

Grain Processing

Investment	12/30/93	12/31/93	% Chg.
Investment Portfolio (Net Assets)	198.7	197.4	-0.6
Equity	198.7	197.4	-0.6
Fixed Income	198.7	197.4	-0.6
Money Market	198.7	197.4	-0.6
Real Estate	198.7	197.4	-0.6
Commodities	198.7	197.4	-0.6
Options	198.7	197.4	-0.6
Derivatives	198.7	197.4	-0.6
Other	198.7	197.4	-0.6
Unrealized Gain/Loss	198.7	197.4	-0.6
Net Assets	198.7	197.4	-0.6

Grain Processing

Investment	12/30/93	12/31/93	% Chg.
Investment Portfolio (Net Assets)	198.7	197.4	-0.6
Equity	198.7	197.4	-0.6
Fixed Income	198.7	197.4	-0.6
Money Market	198.7	197.4	-0.6
Real Estate	198.7	197.4	-0.6
Commodities	198.7	197.4	-0.6
Options	198.7	197.4	-0.6
Derivatives	198.7	197.4	-0.6
Other	198.7	197.4	-0.6

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	1994	1993	1992	1991	1990
Operating Year Earnings (\$000F)	\$4,678	\$5,078	\$5,000	\$4,931	\$3,56
Operating Year Earnings (\$000F)	8,538	8,538	8,538	8,538	8,538
Operating Year Earnings (\$000F)	148,85	148,85	148,85	148,85	148,85
Operating Year Earnings (\$000F)	131,61	131,61	131,61	131,61	131,61
Operating Year Earnings (\$000F)	137,34	137,34	137,34	137,34	137,34
Operating Year Earnings (\$000F)	142,48	142,48	142,48	142,48	142,48
Operating Year Earnings (\$000F)	142,48	142,48	142,48	142,48	142,48

1	102.60	107.00	-4.10	1.20
2	83.14	85.67	-0.23	0.00
3	42.40	42.84	-0.22	4.40
4	137.39	141.50	-2.00	1.05
5	104.98	107.20	-2.80	1.38
6	80.47	80.50	-0.03	0.00
7	50.45	54.71	-4.16	8.83
8	58.44	67.10	-8.10	8.83

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SUPPORT SERVICES - Cont

	Notes	Price	+ or -	1957
Sage Group	4	725	-	517
Silverman Co.	1	105	-	98
Sanderson	1	85	-	165
Select Applic.	1	812	-	818
Serra	1	133	-	144
Simple Cocking	1	360	-	241
Sorbo	1	830	-	868
Shamba McGee	1	167	-	157
Shenwood Ind.	1	363	-	377
Shoen Group	1	48	-	51
Shirley	1	59	-	102

Super Sample 101	781.0
Total Systems	754.2

Traces Group	271	-	75	34
Traco Group	278	-	78	17
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
Traco Int'l S.	282	-	79	18
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Traco Int'l S.	282	-	79	

TELECOMMUNICATIONS

	Notes	Price	+ or -	1987	low
BT	3-5	4721	+1	5921	368
Cable & Ultra	3-4	540	-10 1/2	838	455
7pc. Co Ln 108		8280	-3 1/2	8308	822
Cable & Wire Connect.		234		338 1/2	217 1/2
COLT Telecom.		574 1/2	-2	680	37
European Telecom.		301 1/2	-3 1/2	307 1/2	167 1/2

General Cable	128	200
Monaca	386	399

	Notes	Price	%	1997	low
Alpaca		50		76	3
Alpaca/Wool		126		124	77
Animal Tackle		168		205	150
Bald (Wool)		221	+6	221	165
Bedspread-Gummi		128	-5	135	99
Bed Manner		161 of		122	99

Captain John Hall	---	7-4	7-4
Claremont	--	8-1	7-0
Cornell University	--	12-0	1-0 1/2

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Oct 17/US\$)

(% per share)

NYSE

NYSE

NYSE

NYSE

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NYSE

NYSE

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Rockwell Automation products are leading the convergence of power and control technology for manufacturing.

Rockwell

http://www.rockwell.com

INDICES

	Oct 17	Oct 16	Oct 15	High	Low	1997
Argentina (BVL/1977)						
Australia (ASX/1977)	2537.31	2521.45	2545.47	1970	1937.37	21
Austria (WSE/1977)	745.5	745.0	745.7	277.0	259	262.20 14
Belgium (VLX/1977)	745.4	745.4	745.5	747.1	742	745.00 150
Australia	403.4	403.4	403.4	404.2	370	374.00 21
Crash Adm/CS/1994	1458.6	1458.6	1458.7	1459.0	1457	1458.00 21
Bulgaria (BVL/1977)	2385.1	2403.1	2422.4	2421.9	237	2371.00 21
Canada (TSX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
Dow Jones/1977	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
France	1458.6	1458.6	1458.7	1459.0	1457	1458.00 21
Germany	2385.1	2403.1	2422.4	2421.9	237	2371.00 21
Italy (MIB/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
Japan (Nikkei/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
South Korea (KOSPI/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
Spain (IBEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
Sweden (OMX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
Switzerland (SMI/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
Taiwan (TAIEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
UK (FTSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (S&P 500/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (Dow Jones/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NASDAQ/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
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US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
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US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
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US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (NYSE/1977)	1257.0	1257.0	1257.0	1257.0	97	1257.00 21
US (AMEX/1977)	1257.0	1257.0	1257.0	1257.0	97	

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Dow Jones reconsiders selling markets unit

By Tracy Corrigan in New York

Dow Jones, the US financial information company, yesterday said it was again considering selling its troubled Dow Jones Markets business.

The company's plan to invest \$500m in the ailing provider of screen news and data, formerly known as Telerate, has been strongly opposed by some shareholders. The fact that it is no longer ruling out the sale of the busi-

ness represents a shift in its stated position.

"As we said we would periodically at the time we announced the revitalisation plan for Dow Jones Markets in January," said the company, "management and the board are engaged in a review of that plan and various alternatives concerning Dow Jones Markets."

As recently as April, Peter Kann, chairman of Dow Jones, said that the board had consid-

ered a range of options including selling the unit before announcing the investment plan in January at the end of a "genuinely exhaustive process".

The company said on Friday that "nearly one year into [the] plan, and in the midst of budget reviews for 1998, this is clearly an appropriate time for such a review".

It said it expected to have invested between \$140m and \$150m by the end of the year,

excluding the cost of acquiring Indepth Data, a market information company, and licensing The Beast, an analytical product developed by Castleton, a subsidiary of Tullett & Tokyo, the money broker.

Yesterday both Bloomberg and Reuters, Dow Jones Markets' two largest competitors in the electronic financial information business, declined to comment on whether they would be interested in buying the business.

Reuters could face anti-trust problems if it wanted to do so. Michael Bloomberg, the owner of Bloomberg, has said in the past that his philosophy is to build, not buy.

Revenues from Dow Jones information services, which comprises Dow Jones Markets, the news-wires, and the Dow Jones Indexes, fell 1.4 per cent in the first nine months ending September 30 to \$822m.

The newswire business is not

believed to be included in the review.

Dow Jones Markets is the main carrier for such news outside the US and it would have to find a new method of distribution outside the US, or potentially lose some market share.

In the US, newswire services are distributed through a number of mechanisms. For example, Dow Jones News Service, the equities news service, has 200,000 of its own screens in the US.

Risk program houses to merge

By Nicholas Denton in San Francisco

Two leading developers of risk management software plan to merge with the aim of providing investment banks and fund managers with the means to manage trading across their entire organisations.

In a stock deal, SunGard Data Systems, the acquisitive software group spun off from Sun Oil Company in the 1980s, is paying the equivalent of about \$313m for Infinity Financial Technology, a Silicon Valley venture.

The combined company, which would have a market capitalisation of \$2.1bn at Thursday's share price for SunGard, will be a strong contender for leadership in the fast-growing market for risk management software.

The merger, the latest instance of consolidation in a traditionally fragmented sector, challenges Reuters and Misy, two UK companies which also offer software to manage a wide range of trading activities.

At stake is a market which, although worth only \$600m in 1996, is growing about 50 per cent a year as investment banks increasingly buy off-the-shelf software.

Infinity provides the equivalent of a common language for communication between different risk management programs. SunGard plans to knit together its offerings into a comprehensive solution for financial traders.

In the 1980s, when trading volumes took off, investment banks typically developed programs in-house or purchased them from specialist suppliers.

Trading losses suffered by banks such as Barings reinforced the need for software giving management, which had relied on spreadsheets assembled by treasurers, a global real-time overview of their positions.

Dairy Farm sells Spanish supermarkets

By Louise Lucas in Hong Kong and David White in Madrid

Dairy Farm, the food retailing arm of the Jardine Matheson group, said yesterday it was selling Simago, its Spanish supermarket chain, to Continente of the Pro-

moda group of France.

The move, part of Dairy Farm's drive to concentrate investment in the Asia-Pacific region, immediately fuelled speculation that a sale of its 29 per cent stake in KwikSave, the UK supermarket group, would follow.

Analysts estimate that the Simago sale, expected to be effective at the year-end, could yield about \$150m for Dairy Farm.

Shares in Dairy Farm, whose results have consistently been hit by the European operations, jumped 8 per cent to close at \$1.01 yesterday.

Simon Neville, group treasurer at Dairy Farm, said the company was focusing new business developments on Asia. But he played down a KwikSave sale.

"The difference between Simago and KwikSave is that Simago is a 100 per cent subsidiary where we have operational control. What led to the decision was that to develop it fully would have required very signifi-

cant investment, whereas I don't think that's the case when it comes to KwikSave," Mr Neville said.

Simago, acquired by the group in 1990, was in loss for most of that time, finally turning to a profit before interest of \$300,000 last year on sales of \$504m.

Continente stands to increase its total sales area by about 26 per cent as a result of the deal, according to Spanish analysts.

This would put it on a par with Spanish leader in the sector Pryca, part of the rival French Carrefour group. Continente, with net sales last year of Ptas440.5bn (\$2.97bn), currently ranks number two in the French-dominated Spanish hypermarket business.

Strict controls on the opening of large hypermarkets in many Spanish regions have forced the leading groups to look for expansion through acquisitions.

Carlos Ramos of brokers Ahorro Corporación said the purchase looked "very interesting" for Continente even though Simago was concentrated in a different segment of the business, with mostly medium-sized stores and nine small hypermarkets.

Continente has 49 hypermarkets including three under franchise.

Dollar adds to McDonald's woes

By Richard Tomkins in New York

Problems at McDonald's, the US burger chain, turned from bad to worse in the third quarter as the stronger dollar took its toll on overseas profit growth, the company said yesterday.

Overseas profits grew only 5 per cent, far short of previous levels, adding to the company's domestic woes.

US profits continued their poor performance with a 2 per cent decline. However, overall net earnings edged ahead 2 per cent from \$440.6m to \$448.9m.

Earnings per share, boosted by stock repurchases, rose 3 per cent from 63 cents to 64 cents, well short of the expected 67 cents.

In early afternoon trading, the badly depressed shares were down another \$1/4 to \$45 1/2.

McDonald's has delivered a string of disappointments in the past few quarters, but until now the bad news has been mainly on the domestic side, where the company has been struggling to compete with other fast-food operators.

Recent events in the US have included disappointing sales of a new range of Arch Deluxe burgers, the failure of a 56-cent burger promotion, arguments with franchisees, the firing of an advertising agency, and a drastic management restructuring.

In the latest quarter, however, the international division was hit, too.

In spite of a big increase in



Upsets for Michael Quinlan, McDonald's chairman, include firing an advertising agency and arguments with franchisees

the number of restaurants, operating profits rose just 5 per cent from \$438.6m to \$460.6m, far short of the target rate of nearly 20 per cent.

McDonald's said sales per store had been hit by bad weather in the Asia-Pacific region and weak economies

in some markets. Overall sales growth, which would have been 16 per cent if exchange rates had not changed, was cut to 6 per cent by the rise of the dollar against other currencies.

McDonald's said it was cautious about its ability to sustain the sales momentum in the fourth quarter.

In the US, sales rose 6 per cent, but higher costs and other factors combined to depress profit margins, and operating profits fell 2 per cent from \$321.2m to \$313.4m.

McDonald's said it was cautious about its ability to sustain the sales momentum in the fourth quarter.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS	US Dollar Index	Day's Change	YTD %	THURSDAY OCTOBER 16 1997				Local Div. Yield	WEDNESDAY OCTOBER 15 1997				Local Div. Yield	DOLLAR INDEX			
				Index	Staring	Yen	DM		Index	Staring	Yen	DM		Index	Staring	Yen	DM
Australia (78)	228.73	-0.3	208.27	173.46	207.42	205.35	0.1	3.70	227.12	207.42	173.46	206.77	0.1	243.87	209.88	214.20	214.20
Austria (24)	212.12	-0.2	184.07	180.86	182.36	182.31	-0.7	1.71	212.71	184.26	182.31	183.64	0.1	193.59	213.59	175.14	178.78
Belgium (27)	292.19	0.5	230.86	191.20	228.54	223.97	0.2	3.08	290.70	230.82	192.48	228.31	0.2	222.45	291.11	216.54	216.80
Canada (123)	236.38	-0.5	207.10	171.86	205.27	227.53	-0.8	1.88	227.77	208.02	174.80	207.38	0.1	233.68	233.68	175.83	178.04
Denmark (32)	426.84	0.2	380.51	323.89	387.07	385.72	-0.2	1.33	425.79	388.86	326.76	387.63	0.1	386.36	426.76	327.98	333.23
Finland (26)	247.25	0.7	217.25	202.87	214.48	214.04	0.4	1.53	244.30	214.52	201.53	212.53	0.1	218.49	245.43	216.01	218.23
France (93)	242.08	0.4	221.46	183.56	219.51	222.16	0.1	2.37	241.00	220.10	184.85	219.40	0.1	221.93	246.23	199.26	199.26
Germany (59)	232.94	-1.5	213.12	176.85	211.24	211.24	-1.9	1.38	238.43	215.83	181.44	215.24	0.1	215.24	243.87	178.12	179.87
Hong Kong, China (68)	458.21	1.1	426.04	353.55	422.78	433.25	1.1	3.41	451.08	421.07	353.32	419.74	0.1	438.05	458.03	339.55	355.88
Indonesia (27)	148.21	0.8	110.18	91.32	108.21	174.08	0.2	2.47	135.25	114.32	95.11	114.02	0.1	124.58	251.90	217.73	217.73
Ireland (17)	380.92	-0.7	357.85	286.46	354.50	374.34	-0.6	2.59	383.64	356.50	302.09	358.36	0.1	376.45	394.88	304.37	304.37
Italy (53)	115.24	-0.2	105.43	87.38	104.51	148.81	-0.2	1.82	115.05	105.07	88.29	104.74	0.1	115.27	76.44	76.44	76.44
Japan (494)	119.43	3.0	109.27	90.57	108.30	90.57	1.8	0.89	115.82	105.87	88.36	105.53	0.1	88.95	145.08	107.57	144.44
Korea (107)	274.84	-1.2	270.74	224.41	238.25	382.42	-0.2	1.87	269.61	273.53	225.53	272.76	0.1	263.12	280.83	217.03	217.03
Mexico (27)	189.16	0.1	173.26	148.42	171.59	160.17	0.3	1.52	189.14	172.76	145.83	172.28	0.1	188.84	1136.59	1136.59	1136.59
Netherlands (19)	422.16	-1.1	388.25	320.10	382.85	378.81	-1.4	2.20	427.01	389.97	327.89	388.73	0.1	384.44	440.67	307.18	309.88
New Zealand (14)	35.54	0.1	87.41	72.45	86.84	78.71	0.1	3.50	35.40	87.12	73.21	86.85	0.1	86.47	83.03	80.23	80.23
Norway (41)	274.84	2.3	242.75	204.10	230.73	353.81	1.3	1.73	268.12	234.36	201.88	233.30	0.1	251.11	371.64	281.98	284.38
Philippines (22)	56.37	-0.7	88.17	73.08	87.98	162.33	-0.7	1.31	57.07	88.65	74.49	88.37	0.1	163.51	214.07	87.65	185.80
Singapore (42)	279.59	-1.9	255.80	212.03	253.54	189.84	-1.8	1.58	285.01	250.29	218.72	259.48	0.1	203.51	448.01	278.20	277.74
South Africa (43)	341.25	-0.7	312.48	258.07	308.73	348.95	-1.0	2.43	338.23	309.81	260.33	308.93	0.1	346.30	370.12	301.49	340.57
Spain (53)	261.45	0.2	236.20	198.57	237.08	257.08	0.2	2.50	260.08	237.47	198.58	236.72	0.1	230.97	277.53	183.65	183.65
Sweden (49)	261.45	0.0	477.68	395.94	473.47	564.52	-0.2	1.77	261.08	478.70	400.57	475.19	0.1	585.85	538.94	390.24	391.27
Switzerland (39)	321.00	-0.2	293.89	243.43	291.10	298.50	-0.1	1.15	320.27	292.49	245.78	291.56	0.1	289.95	329.59	231.69	245.16
Thailand (38)	39.30	-1.9	38.41	30.18	38.08	56.74	-1.4	4.94	40.57	37.05	31.13	36.93	0.1	57.55	128.94	37.43	113.95
United Kingdom (213)	339.44	0.3	308.21	251.55	305.59	338.81	0.3	3.22	338.89	308.75	257.78	305.78	0.1	326.75	337.89	258.17	258.17
USA (854)	339.44	-1.0	338.30	295.33	333.16	389.44	-1.0	1.59	338.49	338.26	301.97	358.22	0.1	333.49	385.82	283.35	286.93
Americas (814)	339.44	-1.0	338.30	270.28	333.20	300.24	-1.0	1.59	338.03	338.80	278.28	327.76	0.1	333.26	385.75	258.48	262.40
Europe (711)	292.32	0.0	267.45	221.69	265.09	273.97	-0.2	2.33	292.41	267.05	224.40	266.20	0.1	274.19	296.26	222.19	222.19
Nordic (150)	457.88	0.4	418.73	347.08	415.04	447.81	0.1	1.88	455.80	418.27	348.79	414.95	0.1	447.40	464.20	333.26	334.04
Pacific Basin (877)	133.75	2.4	122.27	101.43	121.28	102.70	1.5	1.42	130.83	119.30	100.25	118.92	0.1	101.22	150.85	127.18	159.84
Europe-Pacific (1589)	180.02	0.5	182.91	151.81	181.30	181.78	0.4	1.87	188.14	180.88	152.05	180.38	0.1	186.05	209.12	173.55	185.89
North America (77)	133.75	-1.0	122.27	101.43	121.28	102.70	-1.0	1.40	133.22	124.56	100.88	124.07	0.1	124.56	150.85	127.18	159.84
Europe Ex. UK (498)	261.45	-0.2	236.80	198.60	237.48	248.59	-0.6	1.81	262.61	236.74	201.45	238.68	0.1	250.07	267.07	198.51	198.81
Pacific Ex. Japan (283)	259.98	0.4	237.84	197.14	235.74	241.32	0.3	3.21	258.56	198.78	176.51	240.87	0.1	240.87	320.65	259.02	297.04
World Ex. US (1613)	204.73	0.8	187.21	155.38	185.95	174.38	0.4	1.85	203.15	185.53	155.90	184.94	0.1	173.74	212.89	176.84	187.54
World Ex. UK (2232)	256.98	-0.2	235.11	194.88	233.05	229.14	-0.4	1.81	257.38	235.05	197.51	234.31	0.1	230.08	262.69	211.16	214.64
World Ex. Japan (1501)	336.80	-0.5	308.14	255.41	305.43	328.05	-0.7	1.82	336.84	308.45	260.03	308.47	0.1	330.19	344.35	257.42	258.19
The World Index (2445)	263.78	-0.1	241.34	200.04	238.21	238.26	-0.3	1.78	264.07	241.16	202.65	240.40	0.1	237.03	288.47	216.15	218.55

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Weekend October 18/October 19 1997

WorldCom and GTE may increase value of offers

Bidders for MCI to start three-way talks

By William Lewis and Richard Waters in New York and Alan Cane in London

Two sets of tripartite talks involving the companies bidding for MCI Communications are due to begin as early as next week amid speculation that two of them - WorldCom and GTE - are considering raising the value of their competing offers.

Advisers and lawyers expect discussions involving MCI, British Telecommunications, WorldCom and GTE to begin within seven days. This follows an agreement between MCI and BT, issued on Thursday, relaxing the rules that prevent talks with other companies from taking place.

Two weeks ago, WorldCom made a \$30bn all-cash offer for MCI. This week, GTE put forward a \$28bn all-cash offer. BT's bid, which has been agreed with MCI, is valued at

\$24bn and is a mixture of cash and paper.

The talks are set to begin after advisers to all four companies have assessed the value of the different bids. It is likely that there will be tripartite discussions with both MCI and BT talking separately to WorldCom and GTE.

BT is expected to have an important role in the talks between MCI and the two other suitors. BT owns 20 per cent of MCI and it is most likely to favour a link-up with GTE and MCI rather than with WorldCom as long as the terms of the bids remain similar. MCI is also thought to favour a tie-up with GTE.

BT executives view their culture as more compatible with GTE than with WorldCom and they see stronger potential synergies with GTE.

Under the terms of BT and MCI's agreement enabling talks to begin with WorldCom

and GTE, MCI will still have to pay a penalty of \$450m and up to \$150m of expenses if it is taken over by another company without BT's approval. BT retains the power to delay any deal involving MCI until next October and has kept its own bid on the table, even though it is substantially smaller than the other two.

This week, Charles Lee, GTE's chairman, hinted to Wall Street analysts that he would be prepared to raise his company's bid for MCI. Analysts also believe that WorldCom has the potential to raise its offer.

At lunchtime in New York yesterday, WorldCom's share price had fallen by 1.8 per cent to \$34.74, MCI's down 0.49 per cent to \$37.81, and GTE up 1.54 per cent, after Thursday's fall, at \$45.71/8.

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Yasuda and Goldman agree link on property

By Gillian Tett in Tokyo

Goldman Sachs, the leading US investment bank, has established a co-operation agreement with Yasuda Trust, a Japanese trust bank, to develop real estate business.

The move comes as international investors are starting to express interest in the Japanese property market, after its collapse in the late 1980s property bubble.

Next week the Japanese government is to unveil an economic stimulus package which is likely to include specific measures to boost the property market.

The Goldman-Yasuda deal also highlights a growing trend among international financial companies to link up with Japanese groups ahead of the country's planned Big Bang financial industry deregulation next year.

Goldman and Yasuda stressed that their agreement was not an exclusive one, and would not involve financial tie-ups. The main aim of the collaboration was to bring foreign investors into the property market, they said.

Goldman Sachs Realty Japan, the US group's property arm, would seek to attract US and European investors, thereby providing Yasuda with access to new overseas clients.

Yasuda would provide Goldman's clients with information on Japanese properties, focusing on commercial properties in the Tokyo area.

Yasuda posted the greatest volume of real estate brokerage transactions among Japanese trust banks in 1996, with revenues of ¥369.1bn (\$3.1bn) from 3,986 transactions.

The group, which has been one of the weaker trust banks, yesterday sharply cut its profit projections for the April-September first half of the fiscal year. It expects to record a recurring loss of ¥78bn, compared with previous estimates of a ¥4bn profit.

The revision was due to larger-than-expected head loss disposals. The group said it expected to post recurring revenue of ¥350bn in the first half - higher than expected.

THE LEX COLUMN

KP nuts

Doubtless KPMG and Ernst & Young will justify their planned merger with lots of high-flown strategic guff. But the real driver looks pure herd instinct. Price Waterhouse and Coopers & Lybrand have announced their intention to merge, so the rest of the Big Six have to follow. It is probably as simple as that. Very likely, phone lines are hot with increasingly desperate flirtation between the last sheep left on the shelf, Deloitte & Touche and Arthur Andersen.

Whether all this pairing off makes commercial sense for the firms themselves must be open to doubt. Sure, the mega-mergers will bring cost savings. And there may be some matching of one group's weaknesses with another's strengths. But against these neatly packaged benefits have to be weighed less quantifiable downsides: huge management problems, and a real danger of losing good clients and staff. "Critical mass", remember, is precisely the point at which an object explodes.

All this may, however, prove academic; it is surely time for the competition authorities to act. The firms may claim their deals are all about strengthening their skills in fast-growing consultancy, but it defies belief that taking out a competitor in the duller world of audit is absent from their minds. Indeed, the competition worries are so transparent that the KPMG/E&Y tie-up might even be more cunning than it looks. Could their real aim be to confront regulators with such an intolerable prospect that the PW/C&L party has to be called off?

Equities

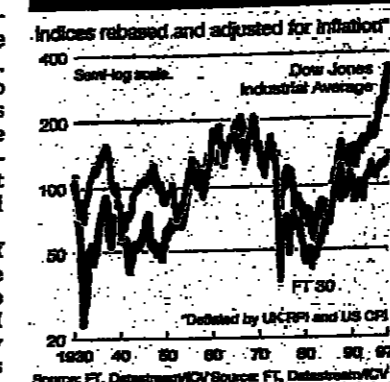
What goes up, must come down. That is not quite a truism. But with the 10th anniversary of the 1987 stock market crash, it is tempting to think so.

Shares have certainly been racing ahead far more rapidly than is sustainable in the long run. Over the past six years, for example, the annual total return on large US stocks has averaged 18 per cent. If shares were fairly valued, the long-run total return should equal the cost of equity, which is only about 10 per cent.

The supernormal returns of the recent past in part reflect a catch-up from previous undervaluation. If that was the only explanation, everything would be fine; future returns would be lower but still decent. The concern is equities,

FTSE Eurotop 300 index
970.7 (-9.0)

UK and US equities



especially in the US, have overshoot.

One way of judging whether shares are fairly valued is to compare ratios - like price/earnings multiples, dividend yields, and the ratio of bond and earnings yields - with historical averages. On each measure, the US looks overvalued: it would have to fall 10-50 per cent to get in line with the 15-year average. The picture in Europe is more mixed. The snag is this sort of analysis fails to address the argument that history is bunk. Maybe inflation is dead or information technology has worked miracles with underlying economic growth.

One way of addressing that point is to discount future dividends. The US market again looks overvalued. At the current yield of 1.8 per cent, a dividend would have to grow 5-6 per cent a year in real terms indefinitely to deliver total returns of 7-8 per cent. Even if the New Age economy now grows at a rapid 3 per cent and the US penchant for share buy-backs is worth another 1 per cent, this is pushing things. Apply the same analysis to the UK and shares look stretched but not wildly so. With yields of 3.6 per cent gross - albeit 2.9 per cent net - dividends would need to grow by at least 4 per cent a year in real terms.

Discounting dividends is, of course, a bit like the tail wagging the dog. Dividends are, to some extent, a discretionary payment - what is left over after companies have decided on investment, debt repayments and so forth.

An alternative method is to discount free cash flows: cash available for dividends, interest payments and debt repayments. Look at Europe. Assume the real cost of capital is 6% per cent (consistent

with a 7% per cent cost of equity) and that cash flows will grow in line with the economy, perhaps 2% per cent a year. European stocks - which trade on 23 times next year's free cash flow according to Deutsche Morgan Grenfell - are then almost bang in line with fair value.

The message is not so great for the US. Even if its growth is faster than Europe's, say 3 per cent, fair value would be only 29 times cash flow. In fact, the multiple is more like 40, though DMG unfortunately does not crunch numbers on the same basis.

Does that mean the US will crash? Not necessarily. It might just stumble sideways for a few years. But that is hardly enticing and there is always the possibility of something more severe.

Directors

No one is going to argue against the attractions of better trained directors. The UK's Institute of Directors rightly points to the difference between being an operational manager and a director, notably on issues of corporate strategy and governance. Its programme adds to the range aimed at extending director training to companies that cannot afford the MBA route. So far, so uncontroversial.

But whether its proposed qualification should count as a professional standard is a much more murky question. Seventeen days' training should impart the basics, but it bears no comparison with a solicitor's or accountant's professional training. It is also debatable to what extent a management can be professionalised when qualities such as vision, or courage in opposing the chief executive, cannot be taught. With these limitations, the IoD scheme looks unlikely to deliver a more meritocratic and open "profession": to women, for example. Insisting that candidates be proposed by IoD Fellows may not bode well for that.

That said, given its virtues as a plain training course, it is important that the exam/club elements of this plan do not deter entrepreneurs seeking to broaden their skills, or non-executives from different backgrounds. Perhaps Kenneth Clarke, the ex-chancellor now accumulating directorships, should apply.

Finally, will it deter crooks? Not many. While checking resumes will weed out some, many a common trades on respectable-looking qualifications.

France Telecom sell-off hailed as 'formidable'

By Andrew Jack in Paris

France's Socialist government yesterday trumpeted the unprecedented popular success of the partial sell-off of France Telecom, in spite of its ambivalence towards privatisations during the election campaign.

Dominique Strauss-Kahn, finance, economics and industry minister, described as "a formidable success" the offering that closed on Friday evening, breaking French records by attracting 3.9m individual investors. Trading begins on Monday.

Demand by individuals was almost three times in excess of the number of shares allocated at FF128 each, while demand from institutions at FF187 was nearly 20 times greater than supply.

Two-thirds of institutional demand came from non-French investors, including 20 per cent from the US. The offering,

involving the sale of more than 22 per cent of the capital of France Telecom, will generate FF142bn (\$7.14bn) for the state. Mr Strauss-Kahn said the results showed "how much investors have confidence in the French economy and in France Telecom".

The previous French record for the number of individual shareholders was the privatisation in January 1997 of Paris, the financial institution.

The France Telecom sell-off was delayed after the election in June of a leftwing coalition that stressed the importance of "public services" remaining in state hands.

The government said yesterday that, after an exchange in cross-shareholdings and a capital increase during 1998, the state would still retain 62.63 per cent of the total capital.

However, the sell-off was criticised after it emerged that at least one of the banks asso-

ciated with the privatisation had agreed to extend risk-free, interest-free loans to managers in the company to buy shares on condition that they re-sold them and split the profits in two years.

Natexis, the bank formed by the merger of Credit National and BFCF, offered loans of FF623,200 to senior France Telecom employees, who had the right to buy shares at the discounted price of FF145.60. The bank would in exchange take all the dividends and 40 per cent of the capital gain when the shares were sold.

The government indicated it would take action to prevent banks involved in the France Telecom underwriting syndicate from taking part in such plans.

But Natexis said other banks had done the same thing and that the state had no right to interfere in loans it made to customers.

Companies in this issue

AGF	7	Goldman Sachs
Alcatel-Alsthom	7	Infinity Financial
BT	24	Jardine Matheson
Carrefour	23	KPMG
Continents	23	KwikSave
Dairy Farm	23	MCI
Dow Jones	23	McDonald's
Ernst and Young	1	Promode
France Telecom	24	Pryca
GTE	7, 24	Sinago
General	7	SunGard Data
		WorldCom
		Yasuda Trust

Markets latest

24	FTSE 100	5,271.1	(-18.8)
23	Yield	3.09	
23	FTSE Eurotop 300	970.7	(-9.0)
23	FTSE All-Share	2,481.3	(-2.3)
23	Nikkei	17,476.42	(-229.07)
1	New York: S&P 500	7,888.08	(-88.88)
1	Dow Jones Ind Ave	9,457.77	(-4.48)
7, 24	3-mo Libor	7.4%	(7.24)
	Life long gilt (i.e. Dec 1996)		(same)
23	US LUNCHTIME RATES		
23	Federal Funds	5.12%	
23	3-m Thrust Bill: Yld	5.01%	
23	Long Bond	6.41%	
23	Yield	6.41%	
23	NORTH SEA OIL (Argus)		
23	Brent Dated	\$25.10	(19.52)
23	Gold		
7, 24	New York Comex (Oct)	\$324.3	(\$24.5)
24	London	\$324.35	(\$26.75)
	Tokyo close: Y 120.15		

FT WEATHER GUIDE

Europe today


Scandinavia will have heavy rain, falling as snow in the north and over the mountains. Western Norway will have showers later. The Low Countries, Germany, Austria and Switzerland will be dry and sunny after early fog clears. France will be sunny and unseasonably warm after fog and low cloud clear during the morning. Portugal and western Spain will be wet as thunderstorms and heavy rain move in from the west, but most of eastern Spain will be dry and fine. The remainder of the Mediterranean will have sunshine and showers. Eastern Europe will be dry with sunny spells.

Five-day forecast

It will turn colder over Scandinavia and eastern Europe as northerly winds bring snow showers. Central Europe will remain warm for the weekend, but rain in the far west of Europe will gradually spread east. All parts will turn cooler and more unsettled from the beginning of next week.

TODAY'S TEMPERATURES

Maximum	Beijing	Sun 19	Casablanca	Fair 19	Frankfurt	Fair 17	Madrid	Shower 22	Rangoon	Thunder 33
Abu Dhabi	Celcius	Fair 18	Chengdu	Fair 17	Geneva	Fair 18	Melbourne	Fair 25	Rangoon	Cloudy 5
Accra	Thunder 29	Fair 11	Chicago	Fair 17	Gibraltar	Thunder 22	Manila	Fair 24	Rio	drzz 24
Algiers	Fair 27	Berlin	Fair 15	Cologne	Fair 19	Glasgow	Fair 18	Manchester	Sun 19	Cloudy 23
Amsterdam	Sun 18	Bogota	Thunder 21	Dakar	Fair 19	Hamburg	Cloudy 17	Medan	Thunder 32	S. France
Athens	Fair 18	Bombay	Fair 35	Dallas	Sun 25	Helsinki	Fair 10	Medan	Fair 19	Sun 24
Bahia	Fair 17	Buenos Aires	Fair 17	Dubai	Sun 35	Hong Kong	Sun 29	Montreal	Fair 11	Singapore
Bangkok	Thunder 34	Cairo	Cloudy 28	Dublin	Cloudy 18	Honolulu	Fair 31	Miami	Fair 30	Stockholm
Barcelona	Cloudy 22	Casablanca	Fair 19	Dubrovnik	Cloudy 17	Istanbul	Rain 14	Milan	Cloudy 17	Strasbourg
				Edinburgh	Shower 22	Jersey	Fair 16	Munich	Cloudy 4	Sydney
				Fero		Johannesburg	Fair 16	Nairobi	Fair 23	Taipei
						Karachi	Fair 34	Naples	Fair 21	Tokyo
						Kuwait	Sun 37	New York	Thunder 21	Toronto
						L. Angeles	Cloudy 25	Nice	Cloudy 20	Vancouver
						Las Palmas	Fair 23	Paris	Cloudy 27	Vienna
						Lisbon	Thunder 21	Perth	Cloudy 18	Warsaw
						London	Sun 20	Prague	Sun 25	Washington
						Luxembourg	Cloudy 21	Rangoon	Fair 14	Wellington
						Lyon	Cloudy 21			Whangpoo
						Madrid	Fair 25			Zurich



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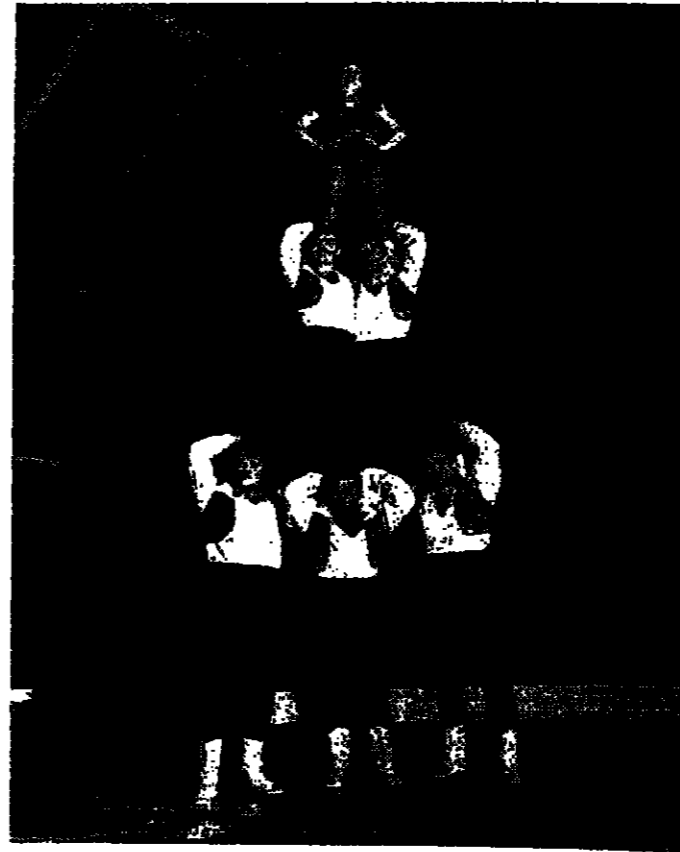
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مكتبة الأمل



Death by baboon

'Suddenly, there is a loud crack and something plummets to the ground not far from me. A large baboon lies dying.'



All the presidents

'Reagan lived by and communicated with jokes, chiefly one-liners, of which he had an enormous repertoire.'



Ports in a storm

'The Taylor displayed little inside its impressive framework, while our sample of Graham was dangerously vinegary.'

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Page XVII

In no mood to party

Israel is about to turn 50. But few are ready to celebrate. Judy Dempsey reveals the chasms within Israeli society - and hears talk of civil war

As plans get under way to celebrate the 50th anniversary of Israel's founding, with talk of a great gathering of the diaspora, gala concerts and once-only exhibitions, the government committee set up to oversee the celebrations next year, has collapsed, riven by bitter personal disagreements, allegations of mismanagement and corruption, and political and ethnic conflict.

The committee's chairman has just resigned, overwhelmed by the difficulties of reconciling budgets and personal relationships, while a government minister has pulled out, citing "professional reasons" - he was critical that the events focused too much on a western image of Israel and downplayed the contribution of the Sephardim, Jews from north Africa and Iraq.

As the committee tried to regroup in the face of spiralling criticism, a separate meeting was held in the committee rooms of the Knesset, the Israeli parliament. The atmosphere was calm, the temperature warm, and the sense of common purpose contrasted starkly with that of the professional party organisers.

This committee had formed to award the Avi Chai prize, which recognises initiatives that generate mutual understanding among Israelis of different backgrounds, as well as contributions to religious observance. One of the recipients was Moti Bar-Or, 36, a professional bridge builder. He has spent the best part of his adult life trying to reconcile pluralism with Judaism.

Bar-Or is one side of the Israeli story, and of our story. The other side could be represented by a myriad of passionate individuals for whom Israel must mean something more than multiculturalism. Rabbi Shlomo Benizri, also 36, is one of the leaders of Shas, the powerful ultra-Orthodox party in Benjamin Netanyahu's right-wing Likud coalition government. Benizri believes in coexistence among Jews, provided Jews subscribe to the Halacha, the Jewish law based on the Talmud, the body of Jewish civil and ceremonial law. And while both men fundamentally disagree on Israel's future direction, they are agreed that these deep divisions could lead to civil war.

Cleavages cut across almost every aspect of society. "We thought we could maintain some sense of internal unity until we got peace with the Palestinians," says Avraham Diskin, political scientist at the Hebrew University. "But the internal divisions are quickly emerging, threatening to pull society apart even before we have peace. It is terrifying."

It is not only over the fate of the peace process or how Netanyahu, the prime minister, has plunged the country into innumerable crises since coming to power 17 months ago. Right and left are still trying to come to terms with the assassination of Yitzhak Rabin, the former Labour party prime minister and one of the architects of the peace process.

Rabin's assassination by an ultra-Orthodox Jew in November 1995 shocked Israelis. "It exposed the deep divisions in our society," says Moshe Lissak, a sociologist at the Hebrew University. "It showed the potential for civil war as the gap between the secular and the ultra-Orthodox becomes wider and deeper."

The ultra-Orthodox, or Haredim, are engaged in a struggle against the secular community over who should set the agenda for Israel's future.

The struggle is well under way. The Haredim recently won the right to introduce segregated buses for men

and women and close streets on the Sabbath in some districts where ultra-Orthodox Jews are the majority.

Meanwhile, the secular-controlled council in Katzarin, in the Golan Heights, closed a kindergarten run by Shas. Residents claimed Shas would threaten the secular character of the settlement.

Resentment is also building between the Ashkenazim, Jews from eastern Europe, who are mostly Zionist and secular, and the Sephardim. Although intermarriage between both communities has increased from 5 per cent in the 1960s to over 30 per cent today, such integration has done little to heal the sense of discrimination Sephardim harbour.

The second generation of Sephardim is much more integrated and feels Israeli, says Diskin. "But this is the paradox. It is as if they are seeking redress for the wrongs their parents endured under the Ashkenazim, who they believe treated them like second class citizens."

On top of this, ultra-Orthodox and Reform (progressive) Jews are involved in one of the most acrimonious debates on Judaism since the foundation of the state.

The ultra-Orthodox determined to have the definition of a Jew legally enshrined, do not want to accept any Jewish conversions unless carried out by their rabbis. If the Netanyahu government sanctions this, it would mean births, marriages and deaths in a Jewish family not converted by an ultra-Orthodox rabbi would be rejected as "Jewish". In Israel, the Jewish rites of burial and other ceremonies would be denied them, while the gap between Israel and the Reform Jews in the diaspora, especially in the US, would widen, weakening the crucial emotional ties between both.

Tensions between these two strands of Judaism are increasing all the time. Last week, the Harel congregation Reform synagogue in Jerusalem was covered with swastikas and obscene graffiti. It is no coincidence that the synagogue, one of the oldest Reform synagogues in Israel, is led by Rabbi David Ariel Yoel. In his commitment to a pluralist Israel, he conducted a gay wedding six months ago in opposition to the Haredim.

The previous month, a Jerusalem Reform nursery school was burnt. And during Passover last April, the Haredim attacked Reform Jews as they prayed near the Wailing Wall in Jerusalem, the Jews' most holy site.

part of his adult life building bridges, as well as making it his personal quest to understand the scope of Judaism through the Torah, the Bible. He helped found Elul, an independent centre where men and women, secular and religious, could meet and debate. And recently he established Kolot, a centre aimed at attracting leading members from Israel's business and professional community to become engaged in the relationship between pluralism and Judaism.

"Through this communal learning we want to develop a dialogue between different people of different approaches to religion and tradition, towards living together with respect and tolerance," says Bar-Or. "That was why Rabin's assassination was a major and traumatic event. It made us ask where we were going."

Rabbi Shlomo Benizri agrees with Bar-Or that Israel could be heading for a serious confrontation or civil war. "After peace with the Arabs, the next war will be between secular and religious people here in Israel," he says.

Like Bar-Or, Benizri embarked on a personal path, trying to discover which direction Israel was headed. The former fashion model told me: "A few years ago I came to realise that the secular state was not offering enough. I was only living for today. I then found meaning in religious life."

But unlike Bar-Or, Benizri, son of Moroccan parents, does not believe in building bridges. And unlike Bar-Or, he has a formidable political base - in Shas.

"There is a big problem in Israel," explains Benizri in offices showing no lack of funding or staff compared to Bar-Or's constant fight for contributions. "There is democracy and there is the Jewish life. When [Abraham] Barak, president of the High Court, has to pass judgment on a democratic [civil] or Jewish issue, he always sides with the democratic life. If it depended on me, I would establish only the Halacha."

"As Jews, we waited over 2,000 years," says Benizri. "But for what? Not to have a secular country. Yet those people [the Ashkenazi Zionists] established a secular state. I want a kind of theocracy where people obey the Commandments. God will help us. The Torah is the glue of the Jewish people."

It is not only religion that drives Benizri. He is also motivated by, or maybe he exploits, the way in which the Sephardim were treated by the Ashkenazim during the 1950s, when hundreds of thousands of Jews from north Africa and Iraq settled in Israel. Against all odds, the young state housed, fed and educated the new immigrants. But the problems of integrating people from so many backgrounds often took second place to the security of the fledgling state.

Tapping into this pent-up humiliation, Benizri has

been successful in attracting Sephardim away from Likud, their traditional and largely secular political shelter, to the religious and political roof of Shas. He has achieved this by establishing an impressive education and welfare network - with a strong religious emphasis - and giving lectures across the country, persuading his audiences to return to the Torah and stand up for their identity.

"The Ashkenazim laughed at our way of life. They said we were not modern," says Benizri. "They wanted to impose the secular life on the new immigrants. My parents could not keep up their traditions, culture or religion. I had enough. I discovered the Torah. It offers meaning. Through Shas, I found I could be a voice for the people."

Shas is no ephemeron. It increased its number of seats in the 1996 election by four to 10. "And we could win as many as 20 in the next election," says Benizri.

Israeli public opinion acknowledges such divisions and their potential danger. A poll published before Rosh Hashana, the Jewish New Year, showed 58 per cent believed the greatest danger to the existence of the state was the difference of opinion and rifts within Israeli society itself.

"There were always cleavages, with the Israeli and Arab the biggest one," says Diskin. "Somehow, the external threat united Israelis. Not any more. I think it's because of the different

interpretations of reality. The intolerance towards each other is much more pronounced. The sense of solidarity has gone. I am really frightened."

Which is why Moti Bar-Or believes bridges must be built if a democratic Jewish state is to have any future. Maybe then, Israelis might be ready to party.



'After peace with the Arabs, the next war will be between secular and religious Israelis'

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best

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Joe Rogaly

Click on the icon

'Like Blair, Clinton offers us gadgetry as a substitute for higher taxes.'

Page III

NEXT WEEK

Pink Snow

'Another vintage year for skiing, so long as the elements keep up the good work and deliver.'

In FT Weekend

BRILL OF LEEDS

CHRISTOPHER BARRY

MARTIN GREEN

PERSPECTIVES

Minding Your Own Business

From frozen beginnings to catch of the day

Closure of a family seafood business was a spur for success. Tom Linton reports



Ali Hannaford: began her company Paramount 21 with money in the bank and plenty of enthusiasm

Nine years ago, Ali Hannaford was made redundant. At the time, she was angry that the thriving seafood processing business built up by her family had been closed down by Hillsdown Holdings five months after it bought the company.

She was 27 and all she had to show for 11 years' work was her statutory redundancy payment of about £3,500. What made it worse was that employees who had been loyal to the company for many years also lost their jobs. She felt they deserved better.

With her payout she bought a computer and a fax machine, and spent a month at home trying to raise enough money to start another business. She bought a limited company off the shelf for £100, prepared a business plan and approached Devon County Council and her bank for credit.

Because Hannaford proposed to re-employ 16 of the redundant workers, the council was prepared to give her a loan under its employment fund if her bank would match it. The bank was also willing to agree an overdraft, provided that she could secure a loan from the council.

The vicious circle was finally broken when the council lent her £20,000 to be repaid over three years and the bank approved an overdraft of £50,000.

With money in the bank and plenty of enthusiasm, she leased part of her former closed factory at Buckfastleigh, near Totnes, and bought some second-hand processing machinery. Within a year, she had turned over £960,000 selling gourmet frozen seafood products to former customers, such as hotel and pub chains.

"There was quite a lot of sympathy from people we had traded with in the past," Hannaford says. "They thought the family had been treated badly and many of them were prepared to give us a chance, based on their past dealings with us."

Now, from more modern premises at Brixham, the company prepares and supplies frozen meals, mainly based on seafood, to hotel and restaurant chains. The company also supplies ready-prepared frozen seafood to two companies to sell under their own brand labels. This year, turnover should be £2.5m and she expects to double that within the next three years.

Hannaford, 36, who ran the financial side of her parents' company and is now managing director of her own business, owns all the company's equity, and has never taken any dividends. "I've always ploughed the money back into the business and built it up that

way. I only started paying myself realistic wages this year. I've been trying to raise the factory wages structure so that the starting wage is better and so that we are one of the better paying employers around here."

Her parents retired after the closure of their former business, of which they were joint owners. They have no financial stake in Paramount 21, the company she bought

hours into the job and it's reassuring to know they are in good hands.

"My dad can't believe it," she says. "When we told him that we were going to have a role reversal, he said: 'You be careful, or he'll end up resenting you.' But he is proud of what he does. It wouldn't suit everybody, but it works for us."

Most of Reg's building work is on a barn the couple are renovating, which they bought after their second son was born. "He is fairly laid back, though he finds the building work frustrating at times when he can't get stuck into it because he's got to drop the children off at school and pick them up again at half-past-three," says Hannaford.

She was still working on the day her second child was born. "I had been meaning to reduce my hours and put in less time," she says. But on the day of the birth, "I actually left at half-past-three. I had my first contractions on the slip road as I was driving home. The baby was three weeks early and I wasn't expecting to have him so soon."

"It was a Monday and I was back in work the following weekend, trying to catch up on paperwork."

For the first three months of his life he went to work with her. "When he began to take solids at mid-day I left him at home, feeding him before I left for work and

again when I returned." She had her first baby at 26, when she worked for her father. She took him to work for several months as well. "Fortunately, both babies slept a lot," she adds.

Paramount 21, which has won several prestigious food industry awards, supplies a niche market. It specialises in producing small runs of individual batches, rather than high-volume runs. "To compete with the bigger companies we have to produce food which looks and tastes special - as though it's home-made or has just been prepared by a good chef." Crab and scallop-based dishes are often presented in the original shells.

Its main lines include ready-coated and pastry products, plus a range of seafood speciality recipes, many with special coatings and sauces.

Hannaford now employs 32 people. Staff tend to stay for several years, which is unusual in a business processing raw fish. "We have a lady working for us who is 73. She started working with my father in 1972. She'll run rings around anyone. She is never ill, never misses a day, and is never late. She's known me since I was 11. That sort of thing helps to keep my feet on the ground."

■ Paramount 21 Ltd, Units 3 & 4, Northfield Industrial Estate, Brixham, Devon TQ5 8UA. Tel: 01803-854050; fax: 01803-553394.

'To compete with the bigger companies we have to produce food which is special'

The Nature of Things

Exposure of the innocent bystander

Clive Cookson investigates how germs may play a big role in chronic diseases such as cancer

Germs are making a great come-back in medical research. The threat of killer viruses emerging from tropical jungles of Africa or the teeming cities of Asia and causing a worldwide epidemic has been widely publicised. So has the emergence of superbugs - bacteria resistant to all known antibiotics - in hospitals.

A less well known but more far-reaching possibility, suggested by recent studies in many different fields of medicine, is that viruses and bacteria play an important role in the chronic diseases that cause most of the suffering and death in western society: cancers, heart disease, diabetes, multiple sclerosis, arthritis, schizophrenia and even depression.

Although these diseases are very different from the acute illnesses normally associated with germs, there is a growing body of evidence that long-lasting infections may trigger them.

The germs may not be enough on their own to cause trouble; they are more likely to be co-factors, acting with other environmental factors and genetic susceptibility.

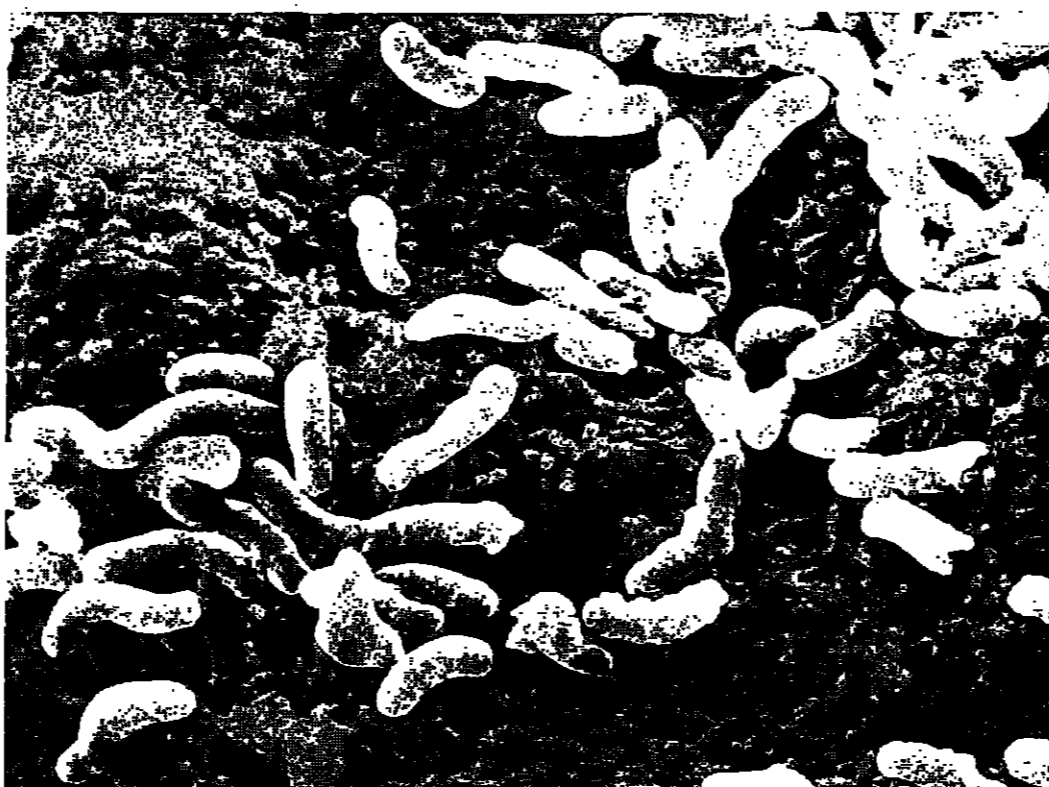
The link between viruses and cancer is not new. Researchers discovered in the 1960s that Epstein-Barr virus could cause both Burkitt's lymphoma, a cancer of the immune system, in Africa and the tumours of the nose and throat in Asia. And they found that hepatitis B virus causes liver cancer; indeed, vaccination against hepatitis is beginning to make an impact on

the incidence of liver cancer in some places.

The 1980s saw proof of the link between papillomavirus and cervical cancer. And, in the 1990s, much attention has focused on *Helicobacter pylori*, a bacterium that inflames the lining of the stomach. This is known to cause gastric ulcers, which doctors once blamed on excessive secretion of stomach acid in response to stress or an unsuitable diet, and many specialists believe it also induces stomach cancer.

Researchers are beginning to elucidate the various mechanisms by which germs can cause cancer. They may act directly, by switching off the cells' "tumour suppressor" genes or, conversely, by switching on cancer-promoting oncogenes. Or they may work indirectly by irritating cells for so long that they begin to undergo aberrant mutations.

However, when scientists move beyond cancer to other chronic diseases, the link with germs becomes less clear. Take heart disease, the biggest killer of all. Although researchers have pointed an accusing finger at several microbes, the leading suspect is *Chlamydia pneumoniae*, a bacterium responsible for persistent lung infections.



Helicobacter pylori: a germ now known to be the cause of gastric ulcers

Heart attack patients are significantly more likely to show evidence of *C pneumoniae* infection in their blood vessels than people without heart

disease. But such an association does not prove that *C pneumoniae* is more than an "innocent bystander" in the diseased tissues - that it

actually causes disease, by damaging blood vessels. Two small clinical trials, one at George's Hospital in London and the other at eight heart

centres in Argentina, recently suggested that aggressive treatment with antibiotic to kill *C pneumoniae* could improve the survival prospects of heart patients.

But specialists say more extensive tests, taking full account of other risk factors, will be needed before doctors should consider prescribing antibiotics as a standard treatment for heart disease.

Auto-immune diseases, in which the immune system attacks the patient's own tissues, are a large category of illness in which viruses are implicated. The latest evidence is for insulin-dependent diabetes. Virologists at the University of Geneva have discovered a new retrovirus that is present in the blood of diabetics, but not in control subjects. They believe that the retrovirus triggers the immune system's attack on insulin-secreting cells in the pancreas.

Retroviruses - slow-acting viruses that insinuate their genes into those of their host - may also be responsible for other auto-immune diseases such as multiple sclerosis and rheumatoid arthritis.

Scientists are tempted to attribute a role to germs because

the ultimate cause of chronic disease is so often unknown. Genetic susceptibility is not a complete explanation and other environmental factors do not always fill the gap. But it is extremely hard to prove the causal link: that a particular virus or bacterium is the primary cause of a disease, rather than an opportunist moving in to take advantage of the illness.

Perhaps the most controversial field is mental illness. Researchers who believe that viruses play a role in schizophrenia point to the fact that patients often seem to develop the illness after having an infection - and that some of the anti-psychotic medicines used to control schizophrenia also have an antiviral effect.

Two respected German virologists say that Borna virus, found originally with horses with brain disease, is responsible for half of all cases of severe depression - and that its impact can be reduced by treatment with amantadine, an antiviral drug. Other virologists reject their claims.

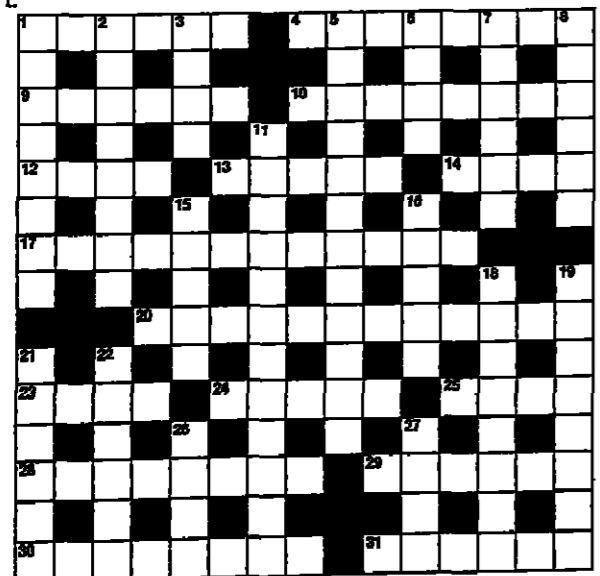
Many of these disputes will be resolved over the next few years, as the technology for detecting microbes in human tissues improves. At the same time, genetics research will reveal the molecular basis of complex chronic diseases and show how germs could play a role.

Then we will know whether man's victory over microbes was an illusion - and whether disguised infections have been tormenting us all along.

CROSSWORD

No. 9,509 Set by DINMUTZ

A prize of a classic Pelikan Souvenir 800 fountain pen for the first correct solution opened and four runner-up prizes of Pelikan M200 fountain pens. Solutions by Wednesday October 29, marked Crossword 9,509 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday November 1.



Name _____
Address _____

WINNERS 9,497: W.F. Wells, Bottissham, Cambridgeshire; V.C.A. Huntley, Drummore, Wigtownshire; K. Morrice, Bridge of Don, Aberdeen; J.S. Rloch, Fremington, Devon; R.B. Townsend, Sidmouth, Devon.

- ACROSS**
- Wife leaving byre is attacked with blunt instrument (8)
 - Being prepared for science expedition? (8)
 - Destruction of hawthorn border (9)
 - Charge less than competitors for tenderloin (8)
 - Country star making a comeback (4)
 - Trace battered box (5)
 - Only front half of cow seen in this place (4)
 - Low-lying people treated with caution, possibly, in such a sale (5,7)
 - Job-crazy sort has it. (A man liable to break up) (12)
 - Exchange-rate charge (4)
 - Greek god with rounds to the north (6)
 - Quarter to noon-time for school (4)
 - Authentic, being akin? (8)
 - Trouble with one's hide in city maze, perhaps (9)
 - Piloted back, knowing the river (8)
 - Stand and deliver in rank (6)

Solution 9,508

CARRYING TREKCAN
A A A O U N A
U N T O N A R D A S E E P
G I H I H E O
H I D E R E D P E T R O L
T G O G P D I E
U O D I N N U E M D O
U O D I N N U E M D O
A B R S A I H B A
W A R S A N E S P A N I E R
A E V S G E S A
R O L L I N K I N G S T O N
E I N N I D
B A G G Y O O S T O R Y

- DOWN**
- Amphibious soldier has to order oxygen (6)
 - Boozy lot producing crafty hotel servant (8)
 - Matching uniform (4)
 - Form health habit - build character (12)
 - Suet mixture of North American Indians (4)
 - Galley does not open here, near Southampton (6)
 - Channel in grand state (9)
 - Instigator - meek, brutal or otherwise (12)
 - Haggard woman taking on a fellow with a bundle (5)
 - Short stop for a butterfly (5)
 - King on a winter trip to Fair Isle, for example (8)
 - Once denied, wins assistance (9)
 - Showing little emotion when idols are broken around square (6)
 - New driver very bad but not disqualified (9)
 - Time owls lying about (4)
 - Pawn as part of the cruise (4)

Solution 9,497

A S T H M A F A C T O R
H I I P O E
T O R N A D O T H E R A P Y
U V S C I P O
C R I S T I N O O C E R U
H A A O T
J U M C H E R E A S
A A U G
A B N O R M A L A G R E E
U R I K O
I O I S E W A N D E R L O U S Y
S I L Y
S M A R T E N A D M I R A L
A V E O N G
N E E D L E E M I G R E

BRIDGE

The competitors in this weekend's Macallan Scottish National Congress have to juggle the demands of hard-fought tournament play with the excellence of the hospitality and reach a decision as to which they wish to take more seriously.

To solve this week's problem, one requires both a clear head and a brave heart, making it a perfect challenge for just such an occasion.

N
♠ A Q 9 6
♥ 8 3
♦ A Q J 10 4
♣ 8 4

W
♠ 10
♥ K Q 10 9 6 4
♦ 9 5
♣ 10 7 6 3

E
♠ 8 5 2
♥ A
♦ K 7 6 3
♣ K Q J 9 2

S
♠ K J 7 4 3
♥ J 7 6 2
♦ A 2
♣ A 5

North East South West
1D 2C 2S 3C
3S NB 4S

Following East's 2C overall and South's 2S response, West might have introduced his heart suit, which would have suggested club support also. However, with East-West vulnerable, neither player would have been keen

to sacrifice, despite the fact that, ostensibly, 5C looks like a simple one down.

Against 4S, West led K♥. East won with A♥ and switched to K♣. Declarer ducked, and a second club followed. Winning with A♠, declarer drew trumps, and lost the diamond finesse to East. Now, however, East could not get West on lead to cash his heart winner before declarer had pitched his heart losers on dummy's winning diamonds.

The solution was for East to force an entry into the West hand. He can count a heart trick, a diamond and a club, but West must be got in to make the setting trick. So, at trick two, East switches to a low club. Declarer cannot duck without letting West win, so he rises with his A♠. When East regains the lead with K♥, he leads another low club to West's 10♣, and the contract is set.

Even if South holds ♠A10, he is unlikely to play low when East switches. Rather than playing East to have underled ♠KQJ, he will surely hope that the diamond finesse is right.

He will be disappointed...

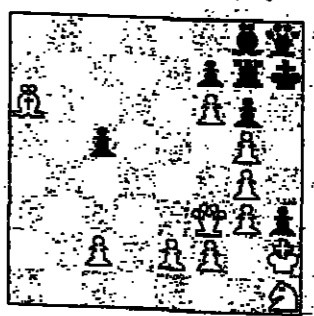
Paul Menqelson

CHESS

Garry Kasparov was caught out at the finish at Tilburg last week. Embarrassingly for the world champion, he agreed a draw in the final round with France's Joel Lautier in a position where a simple tactic would have won a pawn and the game, recalling the occasion earlier this year when Kasparov resigned to IBM's super-computer Deep Blue instead of forcing a draw.

So Kasparov had to settle for shared first prize with his young Russian compatriots Kramnik, 22, and Svidler, 21, on 8/11, while the British co-champion Michael Adams was an unbeaten fourth on 7. Adams is one of the most reliable players at the top of the world circuit, hard to beat and quick to pounce on errors as in this victory over the French No 1, whose queen's side pieces get in a tangle (M Adams v J Lautier).

1 e4 e5 2 Nc3 e6 3 f4 d5 4 Nf3 dxe4 5 Bc4 d4 6 Bxd4 Nc6 7 Bc3 Nf6 8 Qd2 Qd6 9 Qe3 Qc7 10 Qd2 Qd6 11 Qe3 Qc7 12 Bxe4 Nc5 13 Bf3 Bf7 14 0-0 Bc8 15 Rd2 Re7 16 Rhd1 Ne4 17 Ne2 Bb5 18 c3 Bc5 is much better,



White mates in five moves, against any defence (by W. Horwitz, 1948). Black's army is entombed, and only a pawn can move, but it needs an ingenious solution to catch the king in five turns.

Solution, Back Page
Leonard Barden

هكسان المومل

PERSPECTIVES



Joe Rogaly

Leadership without pain, cost or reality

The chief executives of the UK and US are riding the rapids of change, doing little or nothing to alter their course

Virtual government has arrived. Its most famous practitioner is Bill Clinton. In some poses the president is a hologram. He is not alone. Click on the icon, and Tony Blair becomes a light-show. The prime minister beloved of 39 per cent of his people has perfected the electronic smile, the paintbox tear. The president who won re-election in 1996 has the patent on the necessary soft-soapware. His ethereal companion is allowed to use it under licence.

These apparitions exercise maximum influence and minimum to middling power. They are not so much in office as on-screen. We voters are assumed to be hypnotised by what we see on our VDUs. We are supposed to sit transfixed at the grandeur of it, absorbing the language of populist visionaries.

We do indeed marvel at "education education education" and as germans to everyday life as a visit to the Buckingham Palace website. This week the royal offering on the Internet expanded by 135 pages, bringing the total to 385. You can see an "exclusive" picture of the Queen sitting in audience with her prime minister. This is duty incarnate. It should not be imposed on a woman in her 70s. "I sometimes sense that the world is changing almost too fast for its inhabitants, at least for us older ones," she said in Pakistan the other day.

She might have spared a word for the young. The chief executives of Britain and the US are riding the rapids of change, doing little or nothing to alter their course. It is understandable that we feel no need to cry hal-lujah.

You never can tell what life

will be like for the next generation, but the crystal ball is probably murkier today than at any time in the past 2,000 years. We know some of the immediate problems. We have an instinctive feel for what might be solutions. We also understand that we, and therefore our elected servants will reject them.

Not all decisions are dictated by the popular will. The president could not exercise sufficient leadership over his military brass to sign the treaty banning landmines. As to the environment, he talks well, but we expect an obstructive US delegation at the forthcoming Kyoto conference on climate change. In his first term, the Clinton health care programme was sent to the recycle bin. In his second, his high aspirations for promoting ethnic peace have so far remained just that - revealing

his virtual impotence. Like the prime minister, he offers us gadgetry as a substitute for higher taxes. We sigh back in relief. Both men have promoted wired-up schools, access to the net for every child, cheap or free telephone time, everything except a highly paid, expensively trained, taxpayer-financed cadre of excellent teachers. What are students to do in their cyberclasses? Cruise for cyberguys and cyberdolls?

Desperate for solutions without cash, fearful of losing public support, Britain's Labour government takes small incremental steps, disguising its truly conservative heart under cover of the rhetoric of radicalism. This is not the end of ideology. It is the continuation of a triumph of the virtuous idea of the 1980s. That prescribes flexible labour markets, fiscal prudence, cunning

manipulation of interest rates, and a gut preference for private initiatives. The Thatcher-Reagan revolution, which really did make a difference, is still running its course.

Mr Clinton and Mr Blair understand that. In consequence, both of them have re-invented themselves, and Mr Blair his party. All are now prepared to tread the next step along the capitalist road, towards the rolling back of the welfare state. In time, that would really affect millions of people. The ex-recipients of handouts should praise, or curse, the terrible twins of the 1980s, not their mirror images at the close of the 1990s.

Radical, tub-thumping, inspiring talk is easily created in facsimile parlaments. Yet it is too early to tell whether virtual government is all we are likely to get from Mr Blair. Declaring the

Bank of England independent, like the Federal Reserve, was a bold departure from previous practice.

The game of double-bluff known as the Northern Irish peace process must not be disturbed. Allowing Scotland, Wales, London their own elected authorities might be real, although to my eye there is a strong element of make-believe in creating bodies that are not self-financing and declaring them self-governing.

The next-century conundrums are left untouched. Queen Elizabeth II's cry rings in our skulls. Too fast? What if a few companies acquire the combined power of genetic decoding, digital calculation and satellite transmission? They would quickly downsize the virtual rulers of Anglo-America, that's for sure.

Joe Rogaly is a FT.com

Lunch with the FT

A career launched with a rented monkey

Philip Coggan meets Victor Kiam, master of invention and spiel

Once a salesman, always a salesman. Victor Kiam arrived for lunch with a little black bag which he kept by the table. Sure enough, at the end of the meal, his enthusiasm got the better of him. He started to exhibit, and rhapsodise in his familiar tones the merits of the "world's smallest hair-dryer" and a host of other gadgets.

Kiam will forever be enshrined in popular culture as the man who liked his electric shaver so much, he bought the company. It is a style of advertising - using the boss to sell the product - which he claims to have invented at the US national level: Lee Iacocca of Chrysler Motors followed his lead.

His approach worked because there is a kindly twinkle in his eye, a sense of humour behind his spiel, and because his enthusiasm for his wares seems unforced. At times during lunch, it was like talking to a proud mother exhibiting photos of her children.

"This bag, see this bag, what do you think it retails for?" he says, handing me an ordinary looking wash bag over the table. "Take it. Open it up. It's three-tiered and it's lined."

I decided the right approach, as with estimating a pensioner's age, was to aim high. "Er, £10?"

"It retails, retails, for \$4.99."

I try to look sufficiently impressed, but Kiam is already extolling the virtues of something else. He is 70 now but full of gusto: an attempt to retire at the end of 1994 lasted only four months. "The first two-three weeks were terrific," he recalls. "I played a lot of tennis, got involved in bridge and wore blue jeans. But after a couple of months I got itchy."

So here he is back in London, lunching at Claridges, having spent the morning advertising his mini-hairdryer on cable television. He apologises for being unable to plug it in at the table to demonstrate its power, although, judging by the deference with which he is treated by the waiters, the restaurant would be unlikely to object.

We are at what the *matore d'* describes as a "nice quiet table", although it is quite close to the door and out of the corner of my eye I can see that Lord Grade seems to have nabbed a much better spot across the room. Or perhaps other diners can't stand the smoke from his cigars.

Kiam's lunch is punctuated by doses of nicotine from his favourite smoke,



Victor Kiam: 'I rented a monkey. The pet shop made me rent it for the weekend, and the damn monkey rattled the cage all night and I didn't get any sleep'

Winstons, a habit which doubtless gave him his familiar gravelly voice. He has a penchant for demanding precise and unusual details with his meal.

Kiam was brought up by his grandparents in New Orleans before the second world war; his parents having divorced. He says he was reticent in early life - divorce was more of a stigma then. His extrovert nature emerged in the navy, "where everyone accepts you as you are."

The GI bill put him through college and his father persuaded him to take a place at Harvard Business School. From there, he went to work for Unilever in 1951.

It was like talking to a proud mother exhibiting photos of her children

starting as a trainee in the women's fragrance line. Selling turned out to be his métier. "I was going into a wholesale meeting, on a Saturday morning in Florida, with bored guys who would rather be at the beach," he recalls. "I was selling a mundane product, Pepsodent toothpaste. It's very hard to get an old warhorse excited about Pepsodent toothpaste. You get a maximum of 10 minutes for your spiel."

There was only one answer. "I rented a monkey. The pet shop made me rent it for the weekend, and the damn monkey rattled the cage all night and I didn't get any sleep." He took the cage down to the office and waited patiently for his turn.

"They call out for the Pepsodent guy. So I get up, take the monkey out, put it on my shoulders, walk into the room and throw the monkey on the table. I say, 'I sell Pepsodent. I have a monkey on my back.' The monkey ran amok, and some guys were laughing, some were in shock, some were cowering. I walked out and said, 'Remember Pepsodent, I have a monkey on my back' and that was it."

"A few days later, I was going to visit stores and a guy said to me, 'Is it true about the monkey?' They had all heard the story. Everybody talked about it in the area and Pepsodent orders went way up."

His stories are punctuated with pauses to sate his healthy appetite on lunch, which includes rack of lamb - "as rare as you can make

A US senator called: 'Victor, I have a problem. I have the hairiest ears'

pain. The older you get, the more hair sprouts from unusual places. So we went to work and came up with something called the hygienic clipper. We sell millions every year round the world."

Inventions remain his passion and he believes there is a shortage of a source of finance for those who want to develop a product outside the world of high technology. "I'm going to start a fund, the entrepreneurs' fund, where me and my group will determine where we invest the money," he says.

Recently, he has stepped in to fund new products personally, one of which inspired his latest TV campaign. Earplanes are a device designed to help people who suffer from discomfort when flying.

"This fellow had been on an aircraft which dropped precipitously, and he watched people grabbing their ears and feeling discomfort. So he talked to an industrial engineer, who took the problem to the House Hearing Institute, and they worked on it for two years."

He produces a small white device from his pocket with a flourish. "What they came up with was a polyurethane plug that has four ribs made with ceramic material with tiny holes, which allow the air to seep in."

The entrepreneur went to visit Salomon Brothers to try to get funding, but they do not deal with companies with sales of just \$500,000. Salomon sent the man to Kiam, who saw the opportunity. "I studied the product, went to the institute, and thought the potential market size is enormous. There's 1.2bn flight segments a year, or 600m round trips. A third of the people have problems with their ears. That's 200m people a year."

The 2pm deadline for the end of the lunch had passed by this time, but Kiam was in full swing. Indeed, he is tucking into the most enormous portion of chocolate mousse I have seen. He does not seem to notice the irony when he insists on "Sweet 'n' low" with his coffee.

Back to the earplanes. "These things can't be kept over a long period of time because the micron holes close up through ear wax, dust and dirt. After every couple of weeks, you should get a new one. So we've got a patented product, with enough margin that you can afford to advertise, a worldwide need for it, and a damn good product benefit. That is a scenario to sell."

Kiam agreed to fund the advertising budget for the product in return for a 70 per cent stake. "We're going to do \$5m-\$8m in sales this year, compared with \$500,000 when we started. I reckon the value of my investment has increased 15-fold."

At that point, the waiter brought a message that his public relations minder was

waiting in the lobby to take him to his next meeting. Kiam barely paused for breath before launching into a description of another new product, Stingaid, a "miracle" treatment for insect stings which he discovered in Florida. Eventually, the PR person came in to drag him away.

As we left, he clutched my hand (keeping PR and taxi driver waiting) and said: "There's something in my book [titled, inevitably, *Going For It*, published by William Morrow & Co] that you should remember. It's from Hooker's translation of *Cyrano de Bergerac*. The Comte de Guiche says that windmills, if you fight them, may swing around their



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PERSPECTIVES

Leaders as varied as the people they led

Paul Johnson gives his undiluted opinions of the eight US presidents he has known

There is no substitute for meeting a US president, occupant of the most powerful elective office in world history, face to face.

Studying the personal and state papers of Abraham Lincoln cannot fail to give a vivid impression of that incomparably great man. But first-hand experience of US presidents cannot be beaten. I have met eight.

worked as a team, and they made, I thought, a rather sinister pair. In the words of Harold Macmillan, then British prime minister: "It's rather like the Borgia brothers taking over a respectable north Italian town."

Johnson: last of the big spenders

Lyndon Johnson, who took over in 1963, was the most formidable legislator ever to rule the White House. I could not but admire his skills, even though he gave me the creeps. He had an encyclopaedic knowledge of Congress, its procedures and dodges, and its occupants, both elected and staff. No president ever got through more bills more easily. That of course was his undoing, for his Great Society programme cost more than even America could afford, at any rate in combination with the Vietnam war, on which he spent prodigiously too. In fact, LBJ was really the last of the big spenders, and budget restraints were curbing his enthusiasm even before he decided to retire.

Nixon: too much swearing

His successor, Richard Nixon, was the president I got to know best, though chiefly after his resignation. He had a raw deal. He came from nowhere to get himself elected, fairly and squarely, the second time by an overwhelming margin. He ought to have been the hero of the American media as an archetype success story.

In fact, he was their hate-figure. They preferred Kennedy. And the downfall of Nixon in 1973 was, in effect, a media putsch which reversed a democratic verdict.

Nixon blamed his downfall on swearing. He told me he got into a careless habit of swearing among his close aides, using words he had rarely, if ever, been accustomed to employ, even in the navy. This was part of the "toughing it out" atmosphere which his lieutenants, Haldeman and Ehrlichman, created in the White House, but it had devastating consequences once it surfaced publicly on the tapes.

"That," said Nixon sadly, "was when I forfeited the loyalty of the Silent Majority." These church-going Middle Americans could tolerate the Watergate break-in but not the use of four-letter obscenities by the president. In his view, it was the "expensive delinquency" that finished him.

Nixon displayed more anxiety to acquire knowledge than any other public man I

have met. He had an exhaustive grasp of US domestic politics, which he constantly updated, and which he delighted in sharing. No wonder his successors, especially Reagan, consulted him so often.

I last saw Nixon three weeks before his death, when he gave a brilliant discourse on what was going on in Moscow, reeling off names and statistics without any help from notes, and answering questions at length. It was an impressive performance from someone of four score years and confirmed my belief that I had been privileged to know a great man.

Ford: tied hand and foot

Gerald Ford served the remainder of Nixon's second term under the worst possible circumstances, with a triumphant Democratic Congress usurping the constitutional powers of the White House. Despite his pleas, Congress prevented him from saving South Vietnam, Cambodia and Laos.

"They tied me hand and foot," he complained to me. As a result, at least 3m people were massacred by the communists.

I like Gerry Ford, who was a colleague of mine at the American Enterprise Institute, where I was a visiting professor. He had beautiful manners, never forgot a

name or a face, and would take immense trouble to answer my questions. LBJ sneered at his stupidity - indeed, claimed he was brain-damaged - but Ford, in my view, was not stupid; just slow, and accident-prone.

Carter: disastrous

He was a much better president than Jimmy Carter, who beat him in 1976, and whom I observed closely during 1980, his last, disastrous year in office.

Reagan: easy to laugh at

Ronald Reagan, when he took office in 1981, found America demoralised, out-maneuvred and in a kind of permanent semi-recession. He left it, eight years later, reinvigorated, its confidence restored, in the midst of one of the most prolonged periods of expansion in its history, the world's sole superpower, its enemies humbled.

It was easy to laugh at Reagan. The first time I met him he said: "Good to see you again, Paul." The second time, with photographers present, he told me: "Don't look at me, look at the cameras." His ideas were few, but they were good ones, held with immense determination and obstinacy. His ability to reach out to ordi-

nary people, reflecting and articulating their own views, prejudices and aspirations, was impressive.

He lived by and communicated with jokes, chiefly one-liners, of which he had an enormous repertoire, constantly added to, and delivered with superb timing and professionalism. Reagan's intense seriousness about the few central convictions in which he believed passionately was expressed through a comic mixture of irony, exaggeration, black humour and banalities.

But I don't believe anyone got really close to him. He was a monarch who kept his court at a distance and a monarch, moreover, who had more in common with Louis XIV than with the affable Charles II.

Bush: a lot to be modest about

George Bush had a good CV and should have made a fine president. But he was no good at all. I first came across him when he was campaigning for the Republican nomination in 1980.

He caught the attention by his extraordinarily infelicitous use of words. Thus he warned an audience of the Russian menace with the phrase: "We're gonna see more fomentation of hegemony in Africa."

When he finally had to abandon his presidential bid, he told us: "Ugh! - listen, let

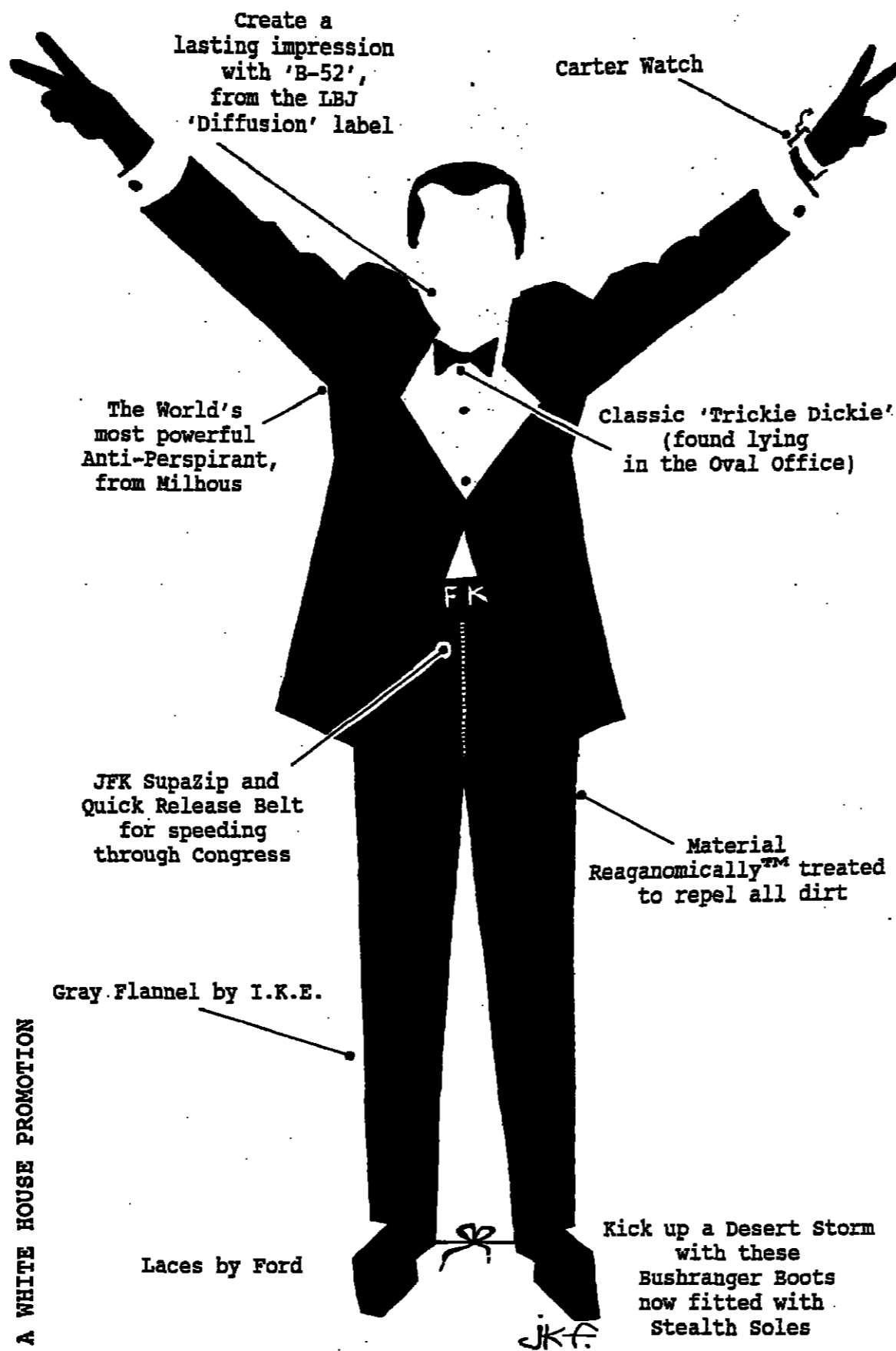
me tell you something. I've just come off a traumatic decision and I've got to decompress."

Bush seemed to me a kind, friendly man, with an endearing streak of modesty. But then he had a lot to be modest about. He completely misjudged the great crisis of his presidency, the Iraqi invasion of Kuwait, and would never have committed himself to Operation Desert Storm, had not Thatcher, by a fortunate coincidence, been with him at Aspen, Colorado, at the time Saddam Hussein struck.

The presidents I have met form a diverse group, almost as varied as the population of America itself: two first-class, "natural" presidents (Eisenhower and Reagan), two formidable but tragic ones (Lyndon Johnson and Nixon), an enigma (Kennedy) about whom opinions will always differ, a handicapped stop-gap (Ford) who never had a mandate, and two duds (Carter and Bush).

A president can make a huge difference, as Reagan did, but the reassuring thing about America is that, whoever occupies the White House, this vast, lumbering, dynamic and ever-changing country pursues its destiny regardless.

Paul Johnson's 'A History of the American People' is published by Weidenfeld and Nicolson on Monday.



Come on home - we need you

The tide has turned for Ugandan Asians, says Khozem Merchant

The words "homeward bound" carry particular resonance for Ramabhai Vadara. She was uprooted from her home in Uganda 25 years ago this month, fleeing President Idi Amin's persecution of an Asian trading class whose wealth outraged the African dictator.

Two years ago she returned, her way cleared by three sons dispossessed by Amin but determined to reclaim the home built by their father, Dayabhai Vadara, during happier times in Uganda.

"I have come home," said Vadara when she set foot in the property, surveying its parlous condition. "This is our home," she repeated, in the singalong Gujarati language that, business success aside, marks out this peripatetic community originally from north-west India.

This week, on the 25th anniversary of the expulsions that shocked Africa and led to the arrival of 30,000 Asians in Britain, there is the small matter of statement.

Yoweri Museveni, the president of a reformed Uganda, will on Thursday step on to the marbled floor of the Swaminarayan Mandir in London, his shoes neatly left at the front door, offering apologies - and a passage home.

This is the heartland of the British Hindu community, the inner sanctum for the predominantly Hindu-Gujarati community thrown out of Uganda. Apologies do not come much bigger.

Museveni needs Vadara, the matriarch of a business family that once ranked among Uganda's finest. He needs her family's skills and resources to continue rebuilding the country.

Those same skills have been used over the past 25 years by the expelled Asians to rebuild many British inner cities, earning enduring applause. Uganda is now in the market for these skills and Museveni will make his pitch, invoking in equal measure Mammon and, with the revered Hindu leader Pramukh Swami Maharaj at his side, God.

Though the UK has become their base, the Vadaras, countless Patels, Shahs and other Gujaratis will barely need convincing to have another go in Uganda.

The Vadaras packed their belongings and fled four days before Amin's deadline for expulsions in November 1972. Behind them, they left tea and sugar cane plantations, houses, and the personal accumulation of seven decades. Ahead of them was an empty home in London.

Others were less fortunate. Most of the 30,000 evicted arrived in England penniless and spent the early months in army reception camps.

The Vadaras' first eight years outside Uganda were spent building businesses in Canada and developing their tea interests in southern India. But they always kept an eye on the 2,000 acres in the hills of western Uganda, vacated under duress.

Vadara's son, Narendra, was at the family's tea estate in southern India when news

of the expulsion filtered through. The first response was disbelief, swiftly followed by decisions.

Narendra flew to London and immediately on to Kampala to take stock. Then, in 1978, the tide began to turn, he said, "with the liberation of Uganda by Tanzanian forces". A year later, he and his brothers Vinod and Rasik made the first of the 25 flights they would take to the region over the next 11 years.

This first trip was "intensely emotional", said Narendra. They entered Uganda via the tea-growing districts of Kericho in Kenya. But when they reached Jinja, in a car laden with samosas, biryani and Indian sweets donated by a friend in Kenya, their fears were realised.

"Our office [on the estate] was occupied by officials of the Custodian Board, which oversaw and administered confiscated properties and allocated them to Ugandans," said Narendra.

In 1983, hopes were raised further when [Milton] Obote was reinstated and a bill

The next eight years were 'frustrating, laborious and expensive'

went before parliament announcing the return of "administered" property.

The next eight years were "frustrating, laborious and expensive", pursuing a government officially committed to a restoration of the *status quo ante* yet moving at a speed that typified African obstructionism.

For an Asian business class accustomed to business by word of mouth - fast and furious - this was a painful brush with officialdom.

In 1991, the British High Commissioner in Kampala telephoned the Vadara family to tell them that their property was to be returned. They would be given "repossession certificates", similar to the "PRO 1/2/3" forms on which they had signed away their property 21 years earlier "for safe-keeping".

The "safe-keeper" of the Vadaras' tea estate in Kakonde, Buganda, 51 miles from Kampala, was a former minister of the Obote government. In his hands, output fell from 1.3m kilos under the Vadaras' stewardship, to 250,000kg. Output has now risen to 720,000kg from just 600 acres of the original 1,300.

One of Narendra's first tasks was to trace "our loyal African plantation workers". He insists they were never hostile - "only the politicians were" - although anecdotal evidence suggests Asians often treated their African employees with disdain.

This week, at the Swaminarayan Mandir, some of that mutual ill-feeling will be washed away.

A thanksgiving service will be held on November 27 at Westminster Abbey, London.

Don't touch it!" said the Lord God Almighty, as he strolled through the Garden with his young protégés. "Don't even think about it." Nothing could be better designed to tempt them to have a go. That fatal apple on the Tree of Knowledge.

We've been munching it happily ever since. But as we spit out the pipe (which will no doubt germinate in time for a heavy crop for our grandchildren), we might ponder whether it has been good for us.

It's easy to picture the Old Almighty Tyrant as an illiberal despot hoping to keep his creatures dependent and in thrall; what will he do with his spare time if no one needs him? Despots don't tolerate much freedom of thought. The Church itself has hardly been innocent in that regard: keep the peasants in ignorance: knowledge is power.

But the point of the old myth is rather different. The

Truth of the Matter

The lust to seek human extremities

Hugh Dickinson assesses whether the fruit of the forbidden tree has done us good or evil

fruit of the tree, says the Good Book, was desirable to make one "wise". Not sage, sensible and knowledgeable, but, in a more sinister and primitive sense, Master of the Dark Arts, adept in the Occult, wielder of psychic powers, like Prospero, the ultimate Mage. Such powers are fearfully tempting. Absolute power is absolutely delightful.

Is there knowledge we should not seek? Images we ought not to look at? Stories we should not tell? The Marquis de Sade pictured sexual perversion so gross and stomach-churning that even to have glanced at it leaves a permanent bruise on the imagination. He advocated a cool indifference to the suf-

fering of others if it provided a unique ecstasy.

There are literary critics who will argue that the same cold detachment should insulate the intelligent reader's emotional responses as he assesses de Sade's achievement with appropriately clinical judgment.

Don't mess about with "morality", they say: it's only the taboo of a local tribe. Even to call it gross sexual perversion is unacceptable in some circles.

Yet we need to put some boundaries around the word "human" so that we can designate some things as inhuman. Not in the sense that human beings don't do such things, but that in some

ultimately significant sense they shouldn't. We lose our hard-won humanity if we give them countenance.

For we are driven by inordinate desires. There is a lust to seek the extremities of human consciousness in ecstasy, terror, or evil. It sounds heroic and Promethean, Man exalting himself.

Yet such excesses are incompatible with other, deeper human qualities of the soul, the heroic stillness of the mystic, the transcendent charity of a Mother Teresa, or the simple candour of the hospice nurse.

We surely want to look at the faces of our children in old age and see that transparent humanity. Not the

burnt-out hulk of a ravaged old aristocrat who fed his insatiable desires.

Is there no point at which we can say in some final absolute sense that such things are bad and should not occupy any human space? We do have a moral choice about where we put our energy, what images we hold up for contemplation.

And yet we have to keep on record the equally sickening things done in massacres in Vietnam or Bosnia, or Rwanda, or most chilling of all, in Buchenwald.

We, at least those among us with strong stomachs, have to read and see exactly what went on in those dark places in order to be able to remind ourselves in every

generation just where inordinate desire can lead us. We dare not close, let alone burn the books. But we do not put de Sade on the bookshelf in the local library; even to put it on offer gives it moral countenance.

There is a similar lust to know which drives science forward remorselessly - some would say gloriously - without any real moral control. We can transcend ourselves. Colonise the stars.

The scientific enterprise has an economic as well as ideological engine which drives research often regardless of the scruples of individual scientists or the wider community, and is happily optimistic about the longer consequences for

society or the environment.

There is a lust to know, as well as a desire for power. Robert Oppenheimer was appalled by what he and the team who made the hydrogen bomb had achieved - in his famous phrase he admitted that "science has known sin". Others in the team were dismissive of his sensitivity.

They had levered open one corner of Pandora's Box and out poured Hiroshima, Six Mile Island and Chernobyl, as well as a seemingly limitless source of power.

"Munch that apple," says the Serpent. "You won't die. You'll be gods with divine powers." There's no mention of the fall-out.

But is it always right to accede to insatiable desire for knowledge? Can we choose not to? We can't, for example, put up No Entry notices on any avenue of research. Only the scientists themselves have the knowledge, but not all of them have the moral wisdom to know when a crevasse in the relentless glacier is opening up under our feet. For, like all human institutions, the whole is greater than the sum of its parts.

There are many wise and humane scientists. But science as a global enterprise is an unstoppable tide, amoral and ultimately indifferent to humanity and the human soul.

Perhaps the Lord God strolling in the Innocent Garden was right. The fruit of the Tree of Knowledge was always intended for us to eat; but we need to be gods - that is, fully human - if we are to use wisely the deadly and life-giving powers it brings. Will it allow us to choose between good and evil?

كتاب المثل

BOOKS



A young Burmese tribeswoman, photographed by Richard K. Dira for his beautifully illustrated book 'The Vanishing Tribes of Burma' (Weidenfeld & Nicolson, £20.00). Dira, a US gem dealer, first visited remote regions of Burma in the 1980s to buy rubies and sapphires and was impressed by the diversity of the tribal groups, whose culture, unchanged for centuries, was now under threat.

Cellist with a lust for life

This is no kiss-and-tell biography, but an exorcism of sibling grief, writes Michael Church

After the publicity heralding it, *A Genius in the Family* comes as a surprise. The style may, at times, be Mills and Boon, but it is not a vulgar piece of kiss-and-tell. And it is emphatically not a betrayal of its tormented central character. It is the story of five characters, each with their own unique torment. And though it may not be the whole truth, every word rings true. After burying their mother, sister and father in brutally quick succession, the two survivors had a colossal load of grief to exorcise: this book is their exorcism. They wrote it to survive.

Hilary was Jacqueline du Pré's elder sister, Piers her younger brother. Hilary's torment began at eight, when she realised that her sister's genius was going to annihilate her own outstanding musical gift. Piers grew up feeling he didn't exist, the talented runt of the litter. Their pianist mother, Iris, dedicated her life to bringing out her second daughter's genius; in adulthood that daughter turned against her; and then, when she was felled by illness, the world at large blamed Iris for forcing her growth. Their father, Derek, started out as a celebrated adventurer, but ended up a paranoid, infantile recluse.

As they pass the narrative baton to and fro it becomes clear their needs are different. Piers wants to let us know that he, too, has talents (for flying aeroplanes, and making money) and he wants to celebrate his unsung father. Hilary desperately needs to work through the love, anger, and guilt she feels for the sister who, like a cuckoo in the nest, took everything from her, including her husband.

And wrenched out of context, it does sound kinky. But as Hilary tells it, it seems the logical conclusion of her lifetime's devotion to her sister, and of that sister's chronic hysteria. What more natural than that Hilary should "lend" her the only man who could calm that hysteria? Kiffer was the only man, because he alone had managed to penetrate the du Pré world. And also - more crucially - because he was a proper adult. Hilary and Piers seem forever children, with an eternal need for parent-figures to lean on. And when Jackie's marriage to Daniel Barenboim went wrong, she rushed back to be with Hilary, for the old high jinks in the bedroom and the secret games at the bottom of the garden. Neither had wanted to leave the haven of their cosy, Blytheish childhood.

Much is left unexplained in this account. Why did the cellist turn on her mother, and what triggered her teenage mental problems? Since these authors only write about what they experienced at first hand, we don't see much of the professional Jacqueline: just witty letters home, and descriptions of a few concerts. (Barenboim, who emerges with honour here, may one day fill in some gaps.) But somehow the authors give us the things that matter most: her quirky charisma, her lust for life, and the birth and death of her miraculous gift. Their description of the progress of her fatal disease - and her courage, before her personality changed - is agonisingly vivid.

And in their concluding section, on the nature of multiple sclerosis, they raise an extraordinary question. When the nine-year-old Jackie confided to her sister that when she grew up, she wouldn't be able to walk or move, did she have a physical premonition? Camus: prodded sacred cows

A GENIUS IN THE FAMILY: AN INTIMATE MEMOIR OF JACQUELINE DU PRÉ by Hilary du Pré and Piers du Pré Chatto & Windus £16.99, 426 pages

Peter Carey's work reminds me of a certain kind of Australian cinema set in the recent past, when Australians were finding themselves. These films have a picaresque quality, a preoccupation with history, an uncertainty about inherited standards of behaviour, pronunciation, architecture and ethics. And they all display the belief that the Australian dimension lends gravity to what might otherwise

simply be adventure stories or pastiches. In his new novel, Peter Carey has deliberately taken aspects of Dickens and given them a spin. There are echoes of Magwitch and liberal use of

Dickens's own life. But the central proposition of this novel is that the Australian light, cast retrospectively on 1837, will lend this tale depth and significance. Jack Maggs, a man of mystery, returns to England from New South Wales and takes a job as a footman with a grocer turned gentleman called Percy Buckle. It is very soon apparent that Maggs is a criminal, but his motives for returning are complex and sinister, sentimental and ruthless - in fact, Dickensian. He is returning with a mission to achieve a reconciliation with his past. He was transported and his lover hanged 30 years before.

A fainting fit while serving at his first dinner leads to an acquaintance with Tobias Oates - Dickens thinly disguised - who is at the start of his career, full of enthusiasm, burdened by debt, entranced by Mesmerism and having a disastrous affair with his wife's sister. They enter upon a pact. Oates sees Maggs as the subject of a book, the criminal mind revealed through Mesmerism. He wishes to be "the archaeologist of his soul". Maggs sees Oates as a way of conveying his testament to his "son", a homosexual called Henry Phipps, via a theft-faker in Gloucester. (This last episode doesn't make much sense, but is meant as a dose of Victorian melodrama, I think.)

In the course of the three weeks in which the action of the book takes place, Maggs finds himself the object of Merry Larkins', another of Buckle's servants, affections. She is Buckle's concubine, putative son Henry, who is living as a gentleman on his Australian gold, only dimly aware of who his benefactor is. Henry, it seems, is not really his son, but was very kind to him when, at the age of four, he aided Maggs who was being transported.

Here, Carey has gone straight to the heart of Dickensian sentimentality. The subject of Maggs's message is an account of his life of crime, transportation and rehabilitation. But Jack Maggs's real meaning in Carey's story is that - although he does not yet acknowledge it - he is a newly-made Australian; the scars on his back from flogging are a badge of authenticity. Out of a skilful Dickensian

pastiche, we are to see the new archetype emerging. This transmogrification happens finally in a bit of a rush at the very end of the novel: Maggs returns home to be reunited with his children and his considerable property with his new companion, Merry Larkins. Merry proves to be insatiably bourgeois and moral, despite her upbringing in the Rookeries of Covent Garden. She and Maggs settle down to prosperous respectability, so confirming that, contrary to popular opinion, there is no such thing as the criminal mind. Which, of course, is very lucky for Australia.

This is a very enjoyable and accomplished book, combining Carey's love of detail and texture with his ability to make sparkling fiction out of known fact. Although, at first sight, a very accurate pastiche, it is slyly post-modern.

JACK MAGGS by Peter Carey Faber £15.99, 336 pages

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BOOKS

No period in history has been more penetrated by and more dependent on the natural sciences than the 20th century, or so Eric Hobsbawm declares in *The Age of Extremes*. He goes on to say that no period since Galileo's clashes with the Catholic Church has been less at ease with science. Both are true, and the more so the deeper into the century we have come. So it is natural, before the millennium, to want to take stock of science.

The task is scarcely less daunting than writing a complete history of the century. Krige and Pestre's weighty collection is not, alas, a synthetic history of 20th century science for the general reader. But it does bring together 46 excellent essays by historians of science which bring home the extraordinary vitality and variety of the sciences in our time.

There is virtually no part of the natural sciences which has not been transformed in the last 100 years. The earth sciences have a unified theory which is completely new, explaining drifting continents, the genesis of mountain ranges, the origin of volcanoes and earthquakes, and the recycling of the earth's crust. That great 19th century science, evolution, has been recast in terms of genes and molecules to give a grand, unified theory of biology. The quantum theory,

Secrets of the universe revealed

The pace of scientific discoveries this century has been dizzying, writes Jon Turney

just part of physics, nevertheless functions as a unifying theory for chemistry, bringing order and predictability to the bonding of atoms to make new substances.

And physics itself – the dominant science of this century in both intellectual and political affairs as well as in the laboratory – hovers on the brink of the ultimate unification, explaining the evolution of the entire universe (or maybe infinite universes) in terms of a few fundamental particles and forces. It is hard to resist the conclusion that science has been much the richest part of 20th-century culture.

All this has been brought about through the efforts of ever more scientists, and through use of instruments which extend our senses into realms which few imagined would ever be surveyed. We can observe a universe incomparably larger than we thought – with its myriad galaxies arranged in clusters, super clusters and, it appears, clusters of super clusters. And we can record the behaviour of the shadowy entities which make up that universe in vanishingly small

instants, during which they may travel distances so short they are hardly measurable.

All this has been brought about by unprecedented state support, evolving through the three great wars of the century – the first and second world wars and the Cold war – and before a public variously awed, baffled, enthused, intimidated or threatened by science and its technological consequences. At the close of the century, we are not sure if we love science or hate it, but we know we can't do without it.

Increasing dependence on science and technology has brought increasing ambivalence towards them. And the end of the Cold war has accelerated the demise of old assumptions about how science should be supported. New anxieties about global problems, increasing distrust of governments, and challenges to expert claims of all kinds mean that science policy is heading into uncharted waters.

In 1945, Vannevar Bush submitted a vision of the future of research to the US government under the title "Science the Endless Frontier", and its assumptions became the common coin of postwar science

policy in the west. There was general agreement that the state would support more and more basic research. Outside the defence sector, scientists in universities, and even government laboratories, were left to decide how to spend the

SCIENCE IN THE TWENTIETH CENTURY
Edited by John Krige and Dominique Pestre
Harwood £80, 941 pages

THE QUARK MACHINES – HOW EUROPE FOUGHT AND WON THE PARTICLE PHYSICS WAR
by Gordon Fraser
Institute of Physics Publishing £15, 206 pages

cash. In return, technological benefits would flow from their research in essentially linear fashion. The public, on the whole, were seen as enthusiastic bystanders, who shared Bush's faith in progress through science but had no role in deciding what science had to do.

Fifty years on, not one of these assumptions still holds. State research spending has levelled off. Few now believe there is any clear line between basic and applied research, or that innovation is a linear process. Governments and voters expect to have a say in research priorities. Anyone chasing a scientific career has to find a path through a complex and rapidly changing research system, where old securities have been largely dissolved.

Ideas, information, people, techniques and tools interchange constantly between different research sites, and between groups trying to solve different kinds of problems. And those outside science are less sure of the enterprise. Science and technology are still seen as engines of social change, but that change is no longer equated with progress.

The history of particle physics is partly defined by these shifts in priorities and mood. While Krige and Pestre's collection will be the best single source for anyone curious about the full sweep of 20th-century science, Gordon Fraser offers a blow-by-blow account of one of its more striking enterprises – the exploration of the

infinitesimally small using ever larger particle accelerators to smash tiny pieces of matter together and catch the evanescent fragments in flight before they transform into something else. Fraser is editor of the house magazine of Cern, the European particle physics complex near Geneva, and focuses on the postwar competition in particle physics.

His is an insider's account, overloaded with detail; there are many better expositions of the wondrous unfolding of quantum electrodynamics and the emergence of quarks as the (thus far) smallest pieces of world stuff. But it is an account worth having, for its record of how the struggle for dominance in fundamental physics looked from the European side.

This is a story which includes many of the great moments of 20th-century science, from Rutherford and a few colleagues bombarding the foil with neutrons to the proton-antiproton collider at Cern, sunk in a 27km tunnel and spanned by enormously complex detectors, each of them an experiment involving hundreds of scientists.

Cern has always been both a

symbol of European co-operation and an effort to compete with the US, pre-eminent in particle physics ever since the second world war. Now, the way appears open for Europe to take the lead. The post-Cold war mood in Congress meant that few saw the urgency in cracking the remaining secrets of the universe, and the largest accelerator project yet – the superconducting supercollider in Texas – was cut short, leaving a 51km hole in the ground.

But it may yet turn out that a contest with nature alone is less compelling to Cern's European paymasters. A reunited Germany, coping with economic reconstruction in the east, is already cutting its contributions. Cern and its like may be our equivalent to the cathedrals of medieval Europe, as the American Alvin Weinberg suggested in the 1960s. But there was never any urgency about building them.

The end of the century may well see the end of this style of big science, as governments look elsewhere for security and prestige. If so, Fraser reminds us, it produced an astonishing yield of new knowledge while it lasted. Krige and Pestre's collection makes one feel that this kind of success, repeated many times in other fields, may be part of the problem. The pace of the scientists' advance has been so dizzying, the rest of us are perpetually struggling to keep up.

The bearded shaman of the movies

Is Stanley Kubrick a genius? asks Nigel Andrews

One of the hypnotic hazards of being a film critic is that you sometimes meet people who have worked with Stanley Kubrick.

Like those who appeared with Morecambe and Wise, they show signs of advanced stress. A leading Hollywood star once begged me to retrieve her precious chess set from Kubrick, with whom she couldn't get in touch after a year spent filming together. And a screenwriter who worked at his Hertfordshire retreat spoke of the frequency with which his guests were scrambled to patrol the perimeter security fence, in the event of even the suspicion of a disturbance.

John Baxter's highly readable biography makes Kubrick maddening, endearing and paranoid in equal portions. Born in the Bronx, he passed through school with poor grades. Yet before reaching 50 the director had made most of space and time his empire. He gave us *Spartacus*, *Dr Strangelove*, 2001, *A Clockwork Orange* and *Full Metal Jacket*. And the sweep of subject matter and setting is no more remarkable than the consistency of vision. For Kubrick, human beings are mice on a metaphysical treadmill. The great wheels of fate and happenstance keep turning, while we creatures strive to stay balanced, hoping for little crumbs of meaning or comfort on the way.

Is Kubrick a genius? He is eccentric enough for one and as demanding. He has secured a long-term contract with Warners that almost beggars belief. He controls his films up to and beyond the final cut. (He singlehandedly banned *A Clockwork Orange* in Britain after brou-

hahas about violence.) And he can be sure that no plug will ever be pulled on his productions, even when they run months over schedule. Many of the stories in Baxter's book are riveting. How Kubrick enhanced the realism of the battles in *Spartacus* by equipping maimed extras with synthetic body-parts filled with animal guts, which would burst at the slash of an amputating sword. (Preview audiences were so revolted that he cut the scenes.) How he spent a week reducing the cast of *Dr Strangelove* to exhaustion

STANLEY KUBRICK
by John Baxter
HarperCollins £20, 386 pages

LYNCH ON LYNCH
edited by Chris Rodley
Faber £15.99, 262 pages

with a climactic pie fight, and then cut that. How he gave an eight-hour interview to *Books* magazine and then embargoed all but four sentences. How he insisted that a costly set for *The Shining* be rebuilt after a studio fire, even though he had only a few close-ups left to shoot.

There is a risk in such crazed autocracy. The man can come to seem more interesting than his movies. Back in the 1960s, when Kubrick made his great dip-tych about the omega and alpha of our Einsteinian existence – nuclear war (*Dr Strangelove*) and space/time rebirth (2001) – the masterpieces spoke for the master. The films were created not from books but from Kubrick's own brain, sitting and bleeding ideas from gifted collaborators such as Terry Southern and Arthur C. Clarke.

Today, under-energised literary makeovers such as *The Shining* and *Full Metal Jacket* seem less captivating than the increasingly weird persona behind them. Here is a bearded shaman whose tantrums cow every superstar and terrify every employee. ("What am I going to tell Stanley?" is the favoured mantra of errand-runners who have failed an errand.) Here, too, is a man whose publicity-shyness, just like Greta Garbo's or T.E. Lawrence's, will probably ensure that Baxter's biography is but one of a swelling number.

David Lynch deals with those parts of the universe left uncolonised by Kubrick. The netherworld, the occult, the deeps where logic fails and dreams begin. *Lynch On Lynch* is a book-length question-and-answer session in which the director who created *Eraserhead*, *Blue Velvet* and *Twin Peaks* tries to explain why.

Once dubbed "Jimmy Stewart from Mars", Lynch emerges as likable, anecdotal, and almost as powerless to expound his work as his audiences are. There are indicative, if oddly matched offscreen enthusiasms, from Francis Bacon's painting to Roy Orbison's music, but Lynch is clearly one of those artists who believe that to over-analyse is to destroy.

No serious movie-lover, however, can resist an imagination that gave us talking radiators, Killer Bob, the elephant man and those "damn fine cups of coffee"; nor a director who vented his frustration with work on *Dune* by launching a newspaper comic strip called "The Angriest Dog in the World". The pictures never changed, only the increasingly bemused, funny and apologetic speech balloons.



Stanley Kubrick, master of the universe: this new biography of the director makes him maddening, endearing and paranoid in equal portions

The Visual Collection

An American patriot for me

Ten cheers for Gore Vidal for putting the knife in so penetratingly, writes A.C. Grayling

Gore Vidal is a phenomenon. He is a master of mordant, savage, scathing, amusing, intelligent, penetrating prose; and he is one of the few genuinely sane people in the world. It is the fate of these latter to be thought perfectly mad, which is why he will not be, as he should be, put straight into the White House without delay, to save the United States of America and thereby, coincidentally, the entire world.

Vidal is an American patriot. This claim will doubtless puzzle those defenders of today's United

States who have been mercilessly (and usually hilariously) skewered by his pen. But it is true; he is a patriot of the old Republic that was demolished after the second world war to make way for the "National Security State", invented by Harry S. Truman and the monster corporations which own the media and the arms factories and therefore – in short – USA Inc. itself. Like

a senator of Augustan Rome who looked back to the liberties of a purer pre-imperial past, Vidal has a homeland; his most formative years were passed in witnessing its disappearance.

If Vidal had his way, there would be a Constitutional Convention to reform America's institutions of government, as desired by the Founding Fathers who expected that their arrangements would need periodic modification – Thomas Jefferson wanted a Convention at least once a generation because "you cannot expect a man to wear a boy's jacket". Article Five of the Constitution provides for just such a thing. Once the Supreme Court ceases to be the Executive's tool, says Vidal, and both Executive and Congress cease to be employees of the giant cor-

porations who bankroll their elections, the necessary work can be done: America's economy can be converted from a war footing to peace (make bullet trains rather than submarines), a national health service can be instituted (no longer blocked by

VIRGIN ISLANDS
by Gore Vidal
Andre Deutsch £17.99, 245 pages

the insurance companies who pay Congressmen), power can be devolved from the surreal confines of Washington's Beltway, and a proper representative democracy will withdraw America from its expensive and immoral empire. The five trillion dollar debt accumulated by successive administrations to pay for the Cold

war will not be discharged at a stroke; but the country would at least be moving in the right direction.

Vidal aims a scorching stream of sarcasm at those American conservatives ("whatever that word now means," he remarks, pointing out that the US has only one political party with two right wings) who wish to retain the US's imperial role, ostensibly because American hegemony maintains global peace ("tell that to the Asians") but in reality to keep America's arms companies in business, and their bosses – who now take a larger slice of wealth, and pay less back in taxes, than ever before – in comfort.

Vidal's homeland gets a mauling, but its faithful acolyte does not escape. Britain, "those bright and islands where ignorance must be

lightly worn", has followed the US in evolving a single-two-right-wing-party system; asked during the late election which of the two is further to the right, Vidal loftily remarked, "One does not bring a measuring rod to Lilliput".

The second and third parts of this three-part collection of essays are concerned with politics and policy, in which Vidal and his genes have together been marinated for half, if not more, of the US's history. What Vidal shows is not pretty; for all the delicious acidity of his wit, his point is earnest. But note this: Vidal does not hate the US, only what it does, both at home and abroad. Like the remarkable journalist he so admires, Andy Kopkind, Vidal has a "separate war" not with America, but with its unaccountable corporate

paymasters and their servants within the Beltway.

The first section of the book collects essays about books and writers. Here as everywhere else Vidal remains that rare thing, a high pleasure and a deep education combined. He never pulls punches; he likes or he dislikes, and gives cogent reasons. His pessimism about politics is mirrored by pessimism about reading and the fate of the novel – he thinks the day of such things is over, displaced by the internet and other, more general, forms of illiteracy. He should be happy to learn that he is wrong; in the arid British Isles, more books are published every year than in any other country, and more people are reading them.

The essay in which Vidal – slowly, pitilessly, beauti-

fully – skins and guts that hapless Rabbit, John Updike, is a masterpiece; the naked lop-eared corpse is left rotting slowly on the spike Vidal drives on its vertical axis as a warning to anyone who dares beard him. If this essay on Dawn Powell does not revive merited interest in her work, nothing will; likewise, Vidal's illuminations of Sinclair Lewis and Mark Twain show what intelligent discourse about books should be like, a lesson for that class of individuals Vidal so magnificently despises (and, in these essays, so utterly routs), the college professors.

This is all outstandingly good stuff. Ten cheers for Gore Vidal.

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ARTS

While old certainties crumble, old prejudices die hard: there are still those who find much Victorian art overblown and ludicrous. Certainly the reaction against it was quick to come and of an unprecedented severity. Victorian art was long a joke, and remained so until some 30 years ago.

Although the return to favour has been no less sudden and extreme, interest still tends to fix upon particular artists or groups. The pre-Raphaelites always retained some critical credibility, and since the 1970s we have had major studies of Burne-Jones, Rossetti, Alma-Tadema and Leighton. But we still wait for Millais, Watts and the rest to get their retrospective due.

As for Symbolism, which touched them all, far from being the aberrant and peripheral phenomenon of prejudice, it now dawned on us that it was one of the great forces at work upon the post-Romantic imagination. To look only to Picasso, Gauguin or Van Gogh, or to early Picasso or Mondrian, is to see that in the 30 years before the Great War, Symbolism was a central preoccupation of the avant-garde. The differences were only of application and expression.

In that climate of general interest, British Symbolism, far from being the minor product of a provincial backwater, was internationally significant and influential. Edward Burne-Jones, whom Ruskin called in his defence when Whistler sued for libel in 1878, was the most famous English artist of his day.

Not the least pleasure of the exhibition of Victorian Symbolism, which the Tate Gallery's Andrew Wilton has arranged around the work of Rossetti, Burne-Jones and G.F. Watts, is to find Whistler and Burne-Jones together at last on the same side. Indeed Whistler as Symbolist, even in those minimal, twilight evocations of the Chelsea river, emerges more clearly now than in the retrospective of a year or two ago.

The context is all, and throughout the show Wilton has been at pains to make this point - not just by local links to Modernism such as Whistler and Albert Moore, but by foreigners as well, the more acute for being at times so unexpected. In the first room, full of richly ambiguous female portraits of about 1860 by Rossetti, Sandys and Leighton, a sensuous nude by Watts, who would quite expect to find Courbet's head of Whistler's beautiful mistress, Jo



Richly ambiguous: 'Lady Lilith', 1864-8, by Dante Gabriel Rossetti

Victorians back in the picture

This show explodes the myth that British Symbolists were isolated, argues William Packer

Hiffernan (1866)? But there she is, gazing at herself as she runs her fingers through her thick red hair fallen loose about her shoulders, as ambiguous and as ravishing as any Rossetti 'Lilith' or 'Aurelia' hanging nearby.

Further on, Fantin-Latour too makes an unlikely but not unreasonable appearance, with a fantasy upon the first scene of *Das Rheingold*. Others less surprising, from Purvis de Chavannes to Moreau and Redon, get a look-in, all serving the same purpose in exploding the myth of isolation. Frances Macdonald of the Glasgow School proves to have had a direct influence upon Klimt. And how interesting to learn that an admiring Knopff swapped drawings with Burne-Jones.

The show is set out by theme in a loose chronology, from that first room of 'Lilith and her Daughters' through 'The Suppression of Meaning', 'Private Thoughts' and so on, to 'Climax' and 'Epilogue'. The Symbolist state-of-mind is

naturally much pondered, the sexual ambiguities, the mythologies, the threats and fears, the incipient decadence. But the power of these works lies not just in bare narrative or suggestion, but in the physical painting, drawing and sculpture. Long loose hair may be a symbol of sexual laxity or invitation, but it is the exquisite painting of Sandys' 'Mary Magdalen' that realises the imaginative possibility. 'Love among the Ruins' may be the title, but it is the dry delicacy and precision of Burne-Jones's briars that give it its visual, imaginative life.

Rossetti and Burne-Jones are the obvious stars, espe-

cially Burne-Jones, with his 'King Cophetua' hung low and viewable: and his wonderful 'Golden Stairs', with its train of white-robed girls in curious anticipation of Duchamp's 'Nude descending a staircase', has never looked more impressive. As for George Frederick Watts, in his time hardly less celebrated than Burne-Jones but long derided, he has yet to emerge fully from the shadows.

Wilton does all he can but, with two exceptions, Watts still suffers in relation to his fellows, his images and surfaces as dense and cluttered as his meanings. But those exceptions are enough to reveal an artist worth full

and further study. The ripe, half-length nude at the outset is worthy of Courbet's 'Jo' beside it. And 'Hope', that meek, blindfolded waif hunched upon her globe, her harp with but a single string, is here in its second and more delicate version, and as beautiful and poignant as anything in the show. Picasso made his variation upon her more than 90 years ago. No image in art is more familiar. It is a great painting.

The Age of Rossetti, Burne-Jones and Watts - Symbolism in Britain 1860-1910: The Tate Gallery, London SW1, until January 4. Sponsored by Prudential.

Television/Antony Thorncroft Heir today, gone tomorrow

At 7.15 on Sunday evening an unconscionably large chunk of the British population will settle cozily down in front of BBC1 for *The Antiques Inspectors*, where they will see the same scene enacted over and over again. A couple of characters, the types you would edge away from at a party, ring the bell of some suburban house, to be welcomed in by nervous homeowners. They then enthuse over some Chinese vase or 18th-century bureau of totally unexceptional interest. Then on to the next door bell; the next weary antique.

The idea is that a hit-squad of experts descends on some twee town and awakens the inhabitants to the importance and value of their home furnishings, making the point that you do not have to live in a stately home to own items of interest. *The Antiques Inspectors* is just the latest in a long succession of programmes to feed the British viewers insatiable appetite for old objects.

The classic was *Going for a Song*, in which Arthur Negus lectured the nation on patinas and marquetry. *The Antiques Roadshow*, in which hopeful owners of 20th-century Rembrandt copies saw their nest-eggs disappear before their eyes as the man from Christie's pulled apart the authenticity of the family heirloom, was a worthy successor.

The current crop of antiques programmes, notably *The Antiques Show* and Channel 4's afternoon time filler, *Collector's Lot*, as well as *The Antiques Inspectors*, lack such human interest. But they do help to perpetuate the pernicious myth which makes life so hard for antique dealers - that any item of old rubbish found in the attic must be rare and valuable.

Dealers spend much of their time trying to talk down the importance of antiques brought to them for sale, antiques which are usually poor imitations of objects admired by experts on television. They are also pressurised by the newly street-wise public to offer them the trade discount.

For, whatever their good intentions, most television programmes about antiques are not designed to inform and to excite, but to pander to the antique owners' greed. Everyone involved is in danger of knowing the price of everything and the value of nothing.

The programmes also like to suggest that most people involved with antiques are lovably eccentric, the men leaning towards floppy bow ties and camp gestures; the women towards beads and flounces. Experts gesticulate a lot and take orgasmic pleasure in the least likely artifacts. Worst of all, the programmes tend to concentrate on collectables, especially odd collectables, like jelly moulds and fish slicers, rather than the great antiques of the past.

In reality, the antiques trade is a battleground in which only the dealers with the steeliest of nerves, the sharpest of practices, the greatest of energies, and enormities of knowledge survive. It is not one long party to which the guests have brought along intriguing talking points.

The best insight into the world of antiques came in last Wednesday's *The Antiques Show*, in which a young man visited numerous dealers to have some inherited jewellery and a Cartier watch valued. Wisely the cameras did not record the confrontations with the 'experts'; but the variations in estimates, the attempts by some dealers to throw doubt on the authenticity of the watch, portrayed a world in which only the very fittest survive.

Still, unlike the makeshift *Collector's Lot*, *The Antiques Show* has a reasonable budget with which to flit from snazzy short item to item, often filmed from the most jokey of angles. It also, almost incidentally, showed last Wednesday how the auction houses invariably under-estimate the likely prices of objects in country house sales. The best contents of an Edwardian Ayrshire mansion soared above forecast, to the discomfort of potential bidders.

These programmes would be doing a much better job if they showed how the antiques world really was, red in tooth and claw, rather than concentrating on quirky collectors and oddball objects. It would also be marvellous if they attempted to fashion the taste of the British. An introduction to contemporary art, and how it might be bought, and to the economics of taste, would be commendable. It would help to transform programmes that are too often silly and superficial into serious television.

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Opera/Richard Fairman Travelling light

During the autumn, Glyndebourne Touring Opera takes a ray of summer sunshine to selected towns in England. This year's operas comprise the productions of Rossini's *Le Comte Ory* and Janáček's *The Makropulos Case*, which

were seen in the festival, plus a revival of Mozart's *Die Entführung aus dem Serail* from a decade earlier.

The Rossini is a delight, improving on the summer original, both in its staging and - marginally - its cast. It is ironic that the provincial tour should see a more classy Rossini than the festival itself. The problem with this production was its tendency to rummage for jokes in the bottom drawer, but the revival producer, Christopher Cowell, has neatly excised those, while keeping its sense of fun; the opera no longer seems a vulgar belly-laugh.

Perhaps it would be stretching a point to call *Comte Ory* subtle, but this revised staging did reveal more clearly Rossini's expertise in leaving his Italianate opera buffa with a French soufflé lightness. In the summer the singer of Countess Adèle was a model of Gallic chic, but Anna Maria Panzarella did nicely in her place. Barry Banks was a big improvement as Count Ory, a lighter tenor who really could run up to the highest notes without sounding as if he was pulling a muscle.

With Imelda Drumm a

winning Isolier in every way, Christopher Maltman displaying an attractive, youthful baritone as Raimbault, and Penelope Walker luxury casting as Ragonde, this was a well-balanced cast. The GTO Orchestra may not be the London Philharmonic, but it played with plenty of verve for Ivor Bolton, who is not a Rossini conductor to hang about.

By contrast, the Mozart was an uninteresting affair. There is so much more to *Die Entführung* than meets the eye, not least the undercurrent of cruelty which Mozart twists into seemingly harmless humour. Here it had no dangerous edge at all; Osmín was never threatening, the Pasha's forgiveness left no feeling of magnanimity. Richard Farnes kept the opera moving along, but his singers - with the exception of Mary Hegarty's bubbly Blonde - had either voice or character, never both. Gillian Sullivan's beautiful soprano asks to be heard in middle-range lyric music, not Constantino's high, fast coloratura. Carlo Vincenzo Allemano sang Belmonte with delicacy, but not much emotion. Gregory Frank's Osmín introduced a fine, well-focused bass voice, allied to almost no personality at all. Only half-marks for this one, but the Janáček, which opens next weekend, looks promising as the last of the four programme's trio.

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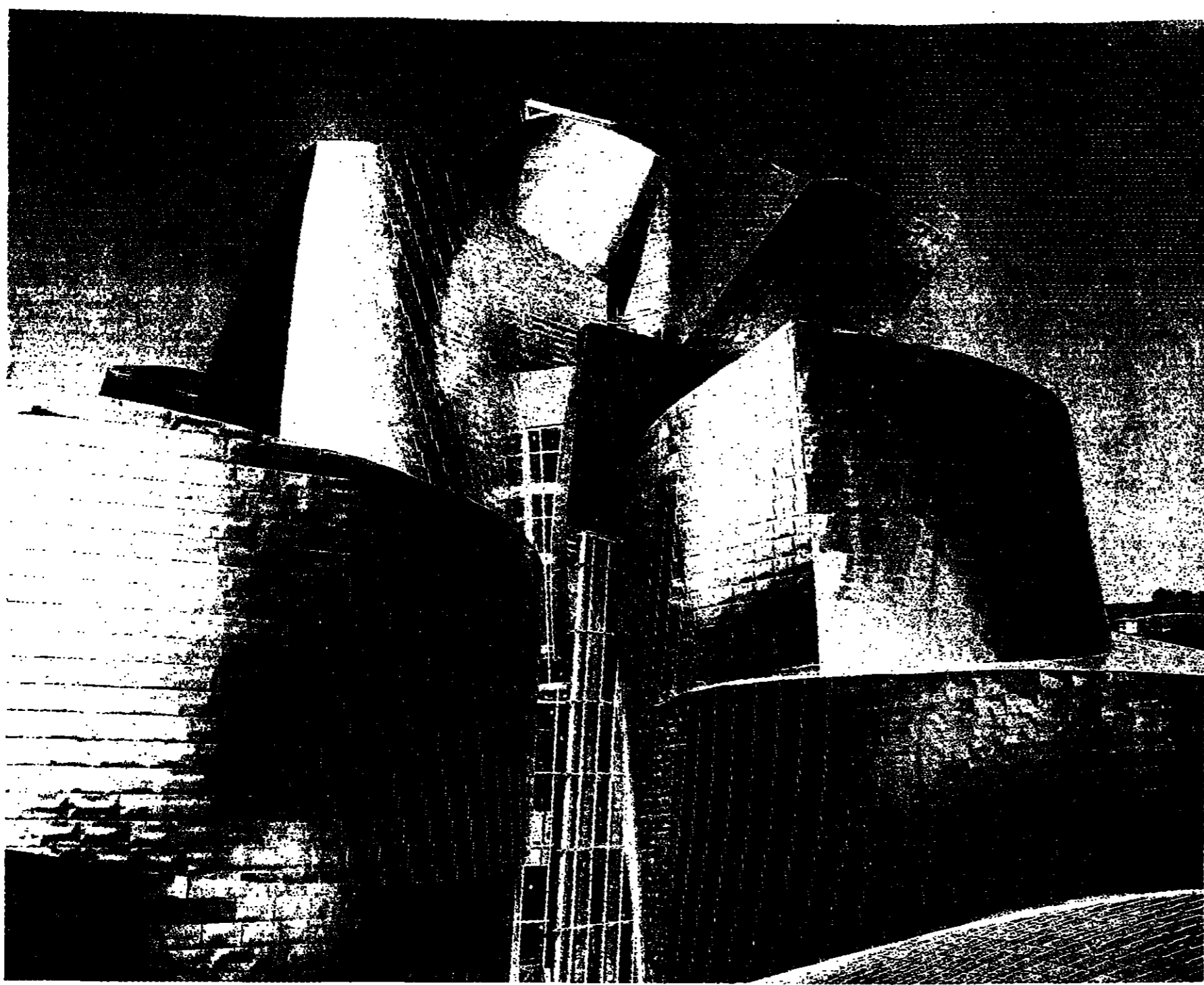
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ARTS



This awesome building poses a serious dilemma for the museum curators: what work of art can hope to compete with Gehry's masterpiece for the visitor's attention?

Spaced out in Bilbao

Peter Aspden visits the new Guggenheim Museum, hailed as the last great building of the century

As the world's press clusters around the soaring cosmic cauliflower which has already been hailed as the last great building of the century, Frank Gehry, the unassuming Californian architect responsible for the Guggenheim Museum Bilbao, pulls off the charming feat of sounding as if there are some questions he has never heard before.

The most common inquiry seeks to establish the influences on his radical design; to keep his responses fresh, Gehry has more than one answer, depending on how playful he is feeling. In the morning, he might talk of Fritz Lang, the trains that pull into Berlin's Museum Island, the finely honed curves to be found in Francis's studio. Later in the day, he quotes Matisse's cut-outs and Maurice Chevalier's "Stairway to Paradise". Asked to describe the delicate process of manufacturing the striking titanium panels which give the museum its shimmering majesty, he reverts smoothly to west coast kitchen-speak: "It was a matter of getting the balance right between the oil and the acid, just like mixing a salad".

The humour comes easily; but for the museum curators, this awesome building presents them with a serious dilemma: what work of art can hope to compete with Gehry's masterpiece for the visitor's attention? For its inau-

gural exhibition, *The Guggenheim Museums and the Art of This Century*, they have played safe: a selective retrospective of the century's art, largely brought across the Atlantic from the Solomon O. Guggenheim Foundation's New York collection.

The foundation director Thomas Krens plays down any attempt to provide a grand narrative or encyclopaedic display; it would be "inappropriate in these post-modern times", not to mention a subject of controversy in itself. Instead, the museum's 19 galleries tell a "series of short stories, or vignettes of the 20th century", starting with Cubism and ending with Damien Hirst.

The display is anti-chronological, and random: to get to the starting point, the viewer has to ascend to the top floor of the museum, where three rooms of early century masterpieces beckon. But in truth, so stunning is Gehry's atrium of steel, glass and Spanish limestone, that it begs to be explored via its curved walkways and generous open spaces before any art is engaged with at all.

These three rooms, housed in the most classically rectilinear galleries, contain an unsurprising overview of the century's most fecund period. The vignettes told here are powerful indeed: the logic of Kandinsky's hugely influential journey to abstraction in the space of 15 years and half a dozen paintings; the haunting

contrast between the carefree sensuality of Franz Marc's reposing "White Bull" from 1911, and the jagged limbs and mustard flesh of Ernst Ludwig Kirchner's "Artillerymen" taking their desolate showers, painted just four years later.

But, impressive as this is, we could be anywhere; the interior spaces of the Guggenheim Bilbao offer far more. Most successful of all is the huge boat-shaped gallery, 130 metres long, 30 metres wide, which currently entertains American Pop, Minimalist and Conceptual works since 1960. Richard Serra's "Snake", three serpentine screens of rusted steel, specially commissioned for and perfectly echoing the giant, graceful curves of the gallery itself, is the natural focal point of this extraordinary space.

But all around, playful installations and brash canvases tease the attention away: there is Robert Morris's horribly claustrophobic "Labyrinth"; Carl Andre's reef of orange styrofoam blocks; Robert Rauschenberg's chaotic collage "Barge"; Donald Judd's brightly-polished solid copper steps.

There is, too, an unexpectedly poignant moment: the contrast between Andy Warhol's bruise-coloured "One hundred and fifty Multi-coloured Marilyns", one of the museum's key acquisitions,

and his "Sixty-three White Mona Lisas" from the same year, 1979, bleached and defaced, as if all of Pop Art's energy and vitality had first been violently pummelled and then drained away. Next to this is hung Robert Rymann's trilogy of near-white canvases "Surface Veil", prompting an unlikely connection between the repetitiveness beloved of Pop artists and the cool Minimalism from which it is normally contrasted.

Minimalism is the key to another outstanding room on the gallery's second floor, the two long curves of which suggest the bow of a ship. Here, the soft tones of Agnes Martin and Brian Marden, Andre's "Aluminium Lock", splitting the room in two, and Robert Mangold's discordant circle paintings are delicately complemented by the afternoon's blue-hued natural light to create an exquisitely serene space.

Once this backward-looking exhibition is disassembled, the museum plans to concentrate on the art of the latter half of the century, which is apposite: it is one of the few spaces which can house without intimidation some of today's massive and weighty installations. "The gallery was shaped by the art that already existed," says Krens.

It is the kind of work which may not attract the largest crowds, but Gehry's building will surely take care of that. Once the accolades have slowed to a trickle, however, the museum

has one more bite at raising its profile: it is still determined to put on show Picasso's "Guernica", an event of huge political-cultural significance for the Basque people (Guernica is a Basque town).

At present, the Reina Sofia gallery is holding out on the loan, claiming the painting is too fragile to be transported. Krens is confident he will achieve his goal, promising "the safest movement of a work of art that has ever taken place in history", but he also concedes that its presence at the museum's opening may have proved an unwelcome distraction.

In the meantime, lavish attention will rightly continue to focus on the museum itself. Gehry's magnificently eccentric structure has some elements in common with other late 20th century buildings, chiefly in its wit (the long section which leads to the Salve bridge resembles the insolent flick of a mermid's tail) and mixture of styles.

But this is no feeble postmodern pastiche. The building of the Guggenheim Bilbao is explicitly related to the regeneration of the city, to political identity and regional self-respect. In this, its aspirations fit comfortably into the forward-looking modernist agenda which many had thought defunct. With a day to go before its opening to the public, its cultural importance has already been secured.

Basques make a dangerous liaison

The marriage between the Guggenheim and Bilbao is, for some, preposterous. Dumping an immensely costly collection of avant-garde art assembled in New York on an inward-looking people ravaged by rust-belt recession borders on the absurd. When the 5th Avenue museum lands in a politically polarised society such as that of the Basques, the exercise begins to look as dangerous as it is ludicrous.

Yet, the terrorist group which has caused some 800 deaths over 30 years in its attempt to create an independent Basque state, wants to blow the Guggenheim Bilbao up. A bomb attack calculated to create carnage at today's glittering inauguration of the museum by King Juan Carlos was foiled on Monday and a policeman was shot dead in the incident.

For others, the marriage is logical. There is a compelling argument, and a fatal attraction, that links an angry postmodern imagination to a violent and exhausted society that has run out of the industrial options that once made it wealthy.

The logic was readily apparent to transatlantic perceptions. "Wow, Bilbao, the tough city," US sculptor Richard Serra told his friend Frank Gehry, the Californian architect. Serra recognised the potential of the bond early on, and his works will form part of the permanent collection in the spectacular edifice that Gehry has built by the grimy Nervión river that girds Bilbao.

Thomas Krens, the ambitious director of the Solomon R. Guggenheim Foundation, saw exactly the sort of building he wanted from Gehry when he spotted a derelict wharf as he was jogging across La Salve, the high steel bridge that spans the Nervión, in May 1991. Krens was later to liken his vision of the future Guggenheim Bilbao museum to a Pauline encounter on the road to Damascus.

Basque anthropologist Joseba Zulaika, a friend of Gehry, answers the clichéd "where is modern art going?" question with the suggestion that it could be going to Bilbao, lent on a long lease by the Guggenheim. Krens pulled off the apparently astonishing feat of persuading the local Basque politicians to pay mightily for the lease; "I'm a professional seducer," he told Zulaika for his book, *Guggenheim Bilbao, Crónica de una Seducción*; "it's a certain way, the greatest where in the world".

Seducing Bilbao politicians into parting with Ptas25bn (\$153m) of public money for the Guggenheim package was not, in fact, difficult. A different logic was at work here: the local authorities were desperately searching for a talisman that would revive the area's fortunes. They turned to Krens and Gehry when they failed to attract investment from General Motors and McDonnell Douglas.

Joseba Bergara, the politician who holds the purse strings for Bilbao and its surrounding province of Vizcaya, concedes that the museum is a "risky gamble", and an unusual one for a city which has in the past put its money on industrial development. *Faute de mieux*, he and his fellow members of the ruling Basque Nationalist Party opted for "an emblematic symbol like the Sydney Opera House".

The Guggenheim Bilbao is the cornerstone of a far-reaching renewal plan along the banks of the Nervión that Bergara com-

pares with London's Docklands development. His bet is that it will have a knock-on effect and eventually change negative views about the Basque Country. A report commissioned by the Basque regional government established that 85 per cent of the news about the area published in the US was about political terrorism.

"The Guggenheim changes everything," says Joseba Inchaurraga, who has responsibility for cultural affairs in the Bilbao city council. He argues that it is the spearhead of a national plan to regenerate the Basque Country. It is an investment in culture in its widest sense.

It is this vision that excites Javier Gonzalez de Durana, a novelist who directs Bilbao's Rekale art gallery and advised the Basque politicians in their negotiations with the Guggenheim foundation: "what is extraordinary is that the Basque government has entered wholly, forever and without any get-outs, into a dazzling cultural commitment. Its involvement with the arts was zero before."

"Obviously a museum is not going to stitch society together again. Solving our problems is going to take three generations," says Gonzalez de Durana. "But the Guggenheim is a start; it means that there is a will to get our necks out of the slits and the opportunity to see everything differently."

And yet the marriage looks preposterous on at least two fronts: the cultural one that the postmodernists rave about; and the economic "logic" that caused the penny-counting politicians to spend a king's ransom in the Guggenheim's avant-garde hypermarket.

Jorge Oteiza, an acclaimed local sculptor, has slammed the Guggenheim deal as "artistic genocide". Krens' grand design - of a constellation of Guggenheims in orbit around the foundation's New York headquarters, showing rotating exhibitions of works - is frequently described as "cultural colonialism". Oteiza goes one step further and says the Guggenheim Bilbao is "pure Euskaldunism".

The Ptas25bn price tag for the package negotiated with Krens includes the cost of the Gehry building; a Ptas2bn franchise payment for use of the Guggenheim name; and Ptas2bn set aside for the acquisition of works, on the advice of the Guggenheim, for the Bilbao museum's own collection. Such colossal handouts should be set against the Ptas13m annual grant awarded to Bilbao's fine arts museum, which has a moderately good collection of Spanish and Flemish old masters.

The Basque government has also undertaken to pay the bill for annual deficits at the Guggenheim Bilbao that, under present estimates, will run to Ptas1bn a year through to 2,000. The estimates are based on the assumption that the museum will attract half a million visitors, 30 per cent from outside Spain, a year - a forecast which could be wildly out of place.

Zulaika argues that the Basque government has put all its cultural eggs in the Guggenheim basket. Without Basque society having any say in the matter, the politicians have signed away to Krens the museum and aesthetic policies for the foreseeable future.

Tom Burns

From bland utterances of utmost fatuity to the *cri de coeur* of the cornered, radio provides a world of soundbites. Which is of course intrinsic to the medium, though recently television has proved a fascinating backdrop.

Take Frank Dobson, a minister for health ordering us not to visit casualty wards when drunk. Remember that when making your advance appointments for emergencies, accidents and disasters. And remember when knocked down, falling into a canal or scalding yourself, to have a lie down to sober up, just in case, before venturing to hospital. On radio the commandment sounded merely idiotic. On television one saw the sheepish look in Dobson's eye; at least he knew he was sounding stupid.

Sound bite number two: the prime minister, Tony Blair, declaring his handshake with Gerry Adams (albeit nervously executed, if the IRA will excuse my appropriation of their special word, behind closed doors) an example of treating the Sinn Féin leader as he would any human being. The dazzling intellectual and moral sophistication that distinguishes between hypothetical killers and victims, saints and sinners, good and

Bites, bards and the Celtic fringe

Radio/Martin Hoyle

evil, seems beyond him. Blair's Cheshire Cat grin would be as unwavering with Sadat Hussein as with Mother Teresa. The beam seems fixed to his face, to sometimes mad effect, what over the concern, seriousness or gravity on the rest of his face; like Max Beerbohm's Happy Hypocrite who had the mask torn away only to find the angelic features imprinted beneath. But then who could be happier than a campaigner for one party who adopts wholesale the policies already evolved by another? And who more hypocritical?

Which brings us to the third sound bite: the mockery, turning to hysterical screaming, of Anna Cox. The girl involved in the resignation of Piers Merchant MP attacking the backs outside her home exerted a strange fascination for Tuesday's PM. They want to the story twice, the second time for an eye-witness account of her being led, "doubling up and looking quite tearful", into

an ambulance after her "extraordinary" outburst (perfectly normal, it seems to anyone with the least insight into human emotions). The female reporter's tones were as disdainful as her adenoids allowed. The programme interviewed the editor of a particular rag that had kept its nose to this world-shaking story; she defended herself with talk of "dewy", always a hilarious word in the mouths of tabloid editors, even when they know how to pronounce it.

PM is that nest of incompetents that misidentifies the subjects of its interviews, but Tuesday marked a new step in its tabloidisation. The presenter recapped the closing headlines "in case you wondered what that was about". I assume he was referring to the whole tawdry programme. I did.

The lovable Celt has been much with us, even apart from Gerry Adams. In the audio-diary series *Talking the*

Plunge, Christina and her partner Sebastian renounced their "cosmopolitan life in Edinburgh" (where did he find it? I thought you had to go to Glasgow for a cosmopolitan life) to start a duck farm. They haven't quite done it yet, and their resolve to live off the land is handicapped by Christina's unwillingness to shoot rabbits when they look at her. And this is purely for food, of course, not pleasure, though there was a moment when Sebastian, explaining the art of stalking and hunting to her, almost sounded as if one could take a pride in the craft. Perish the un-p.c. thought!

Christina recalled her childhood horror at a battery duckling farm and her love of living creatures, starting with spiders - "I would grab them and let them crawl all over me". Her courtship with Sebastian was not dwelt on. They sounded a nice young couple who deserve the fulfilment of their dream.

Radio 3's *Postscript* slot was filled each night - delightful idea - with a contemporary poet's fan letter to a bard from the past. Tom Paulin to John Clare (Monday) showed where the Irish poet's wide-eyed mock innocence comes from: his faintly astonished common sense disguised as naive humility is the sole reason for watching TV's late-night arts programme. Kathleen James's epistle addressed to Robert Burns (Tuesday) ended with a predictable P.S. about how the "Scots wha hae" voted.

On Wednesday I was distracted by Radio 4's Irish night. *From Glen to Glen* dealt with the Leslies, actually of Scots lineage though not James VI's plantation owners, in a stately home complete with ghosts and ancestral black sheep. *North and South - Travels along the Irish Border* actually struck a warning note for the programme on Channel 4 that I subsequently watched. The reference to lands taken from rightful owners would be echoed in *Witness*, an investigation into the IRA and anti-semitism - of which more next week when, in Chris Dunkley's absence, I write about the junior service. In the meantime, here's your starter for ten: when was the last anti-Jewish pogrom in the British Isles? In medieval York, wasn't it? No, in Limerick in 1904.

It was the misfortune of William Alwyn (1905-85) never to see his opera *Miss Julie* professionally staged. Judging by its belated UK premiere at the Theatre Royal, Norwich, on Wednesday, this is as much our loss as his: the opera is so compact, well-crafted and audience-friendly that, with the right encouragement, he could have gone on to greater things. Instead, Alwyn died in relative obscurity, having witnessed a BBC broadcast of *Miss Julie* and a commercial recording with the same cast.

Miss Julie has many of the ingredients of a successful opera - but it falls short in important respects, which the Norwich staging failed to obscure. In musicising Strindberg's play about power, sex and class in a nobleman's house, Alwyn somehow managed to deprive it of its symbolic resonance. He dispenses with the fantastical peasants' chorus - one of the most naturally operatic ingredients of the play - and invents the loutish gamekeeper Ulrik, who adds nothing to the embroglio between the daughter of the house and her downstairs partners.

The result is a kitchen drama: Alwyn's music fails to articulate the repressions and psychological torture crucial to the plot. Worse, it

Opera Kitchen drama

offers no grounds for sympathising with the heroine as she prepares to commit suicide.

That final scene should be the cue for one of opera's genuinely tragic moments. Instead, it points up the fact that Alwyn's musical personality, with its suave Romantic overtones, is fundamentally ill-matched to such a claustrophobically anti-feminist subject.

Instead of ramming home the modernity of Strindberg's subject-matter, Alwyn's infectious waltz-rhythms merely date it. He also refuses to take advantage of opera's capacity to stand back and listen to the interior drama. And yet what we hear has the stamp of an original craftsman - no more so than in the cascading string figures at the start of Act 2. The score is a marvel of bitter-sweet lyricism, precise instrumental effects and chameleon-like construction - evidence of Alwyn's scene-painting experience as a film composer.

Nicholas Cleobury and the Britten Sinfonia made the strongest possible case for Alwyn's practical musicianship: the sounds emanating from the pit always engaged the ear and echoed the words. But the staging by Benjamin Luxon and Peter Wilson did not go far enough. Andrew Leigh's set, a finely-detailed period kitchen cut away at the top to reveal an abstract forest backdrop, failed to chart the changing psychological balance of the drama; the characters remained two-dimensional.

Nevertheless, the Theatre Royal deserves credit for taking on the challenge and finding the right cast. With her hard but brittle soprano, Judith Howarth makes a convincing *Julie*; here indeed is the gothic rich girl who mistakenly thinks she can boss *and* bed the servants. Karl Daymond's Jean confirms his growing promise. His voice has the projection, sensitivity and masculine timbre of the young Thomas Allen, and for all his boyish looks, he gradually takes hold of the performance. Ian Caley offers a useful cameo as Ulrik, while Fiona Khum's Kristin compensates for her old-womanish appearance with exemplary diction. There is one further performance tonight.

Andrew Clark

هكذا العمل

MOTERING / SPORT

London Motor Show / Stuart Marshall
Getting better all the time

Slowly but surely the London Motor Show is regaining its status. It was a shock when the organisers, the Society of Motor Manufacturers and Traders, abandoned Earls Court in 1978 and made what had always been an annual London show into a Birmingham biennial.

Motorfair was arranged for the years in between the big Birmingham event. Earls Court, which had become rather dingy, was given a lick of paint. A new hall was built over adjoining railway tracks and the three commissioners were

able to sit in all the new models they have only read about. Among the exhibits that the crowds, who will pour into Earls Court this weekend and all next week, will be keenest to inspect are the Citroën Xsara, Mercedes-Benz A-Class, Land Rover Freelander, Vauxhall (Opel) Astra and Volkswagen Golf.

Xsara (you say it Zara) has replaced the 2X. It will compete with the Golf, Astra and the next Ford Escort, which is many months off. Xsara appears in British showrooms next month; Golf and Astra

arrive in early 1998. Strong competition between manufacturers has made these lower/medium sector cars better in every way than their predecessors. And, when all the extra standard equipment is taken into account, they are keener value for money, too.

Well worth a close look is the Skoda Octavia, making its British debut at Earls Court and due to go on sale in the UK next year. Mechanically, it is mostly Audi A3. It looks like a VW Passat but is expected to be much cheaper.

The Mercedes A-Class took the motoring world by storm last spring. It is only supermini-sized, but has the interior space of a G-class saloon. In build quality and mechanical integrity, it is a true Mercedes. British prices next year will start at about £14,000. This is very cheap for a Mercedes, although not when compared with the Escorts, Astras and Golfs most buyers are expected to have owned before.

Most interesting British-made car at Earls Court is the Land Rover Freelander, a fashion 4x4 with, it is said, far more off-road capability than 80 per cent of buyers will ever dream of using. Other all-wheel driven cars making their UK debut are the Seangyong Korando, a stylish three-door tough enough to be used by the South Korean army; a range of Mitsubishi Shoguns, updated for 1998; and the Subaru Forester, for users who really need four-wheel drive traction to deal with snow or mud now and again but prefer an otherwise normal estate car.



China, Tibet, Pakistan, Iran, Greece: the pink Rolls-Royce rumbles on

Montage: Philip Thompson

Beijing to Paris Motor Challenge

If it's Saturday, it should be Paris

Richard Donkin joins the journey's end and finds that a 'can-do' philosophy is what singles out the rally's participants

The man in the Avis office at Paris went visibly pale and rolled his eyes towards the ceiling. I thought he was shocked at the state of the mud-coated hire car. But no, it was something else. The light fittings were swaying and so was the floor. "Earthquake," he said. "It's a big one."

A woman beside him stretched out her palms and rubbed them from side to side to demonstrate the movement of tectonic plates, as if I were a student who needed an impromptu introduction to geophysics. A parrot squawked in the corner. Relieved the quake was no more than a tremor lasting less than a minute - there are more romantic places to end your days than a car hire office in a Greek port - I rejoined the 80 or so vintage and classic cars at the dockside only to find that the ferry was late because an Albanian had jumped overboard.

It had been that kind of a day. There is something of the surreal about the Beijing to Paris motor challenge. A few hours earlier, I had been wedged into a tiny Nissan Micra climbing a winding mountain pass, a Rolls-Royce Silver Dawn in front

and an Aston Martin DB5 behind. The fragrance of the pine forests was a welcome change from the stale smell that wafted across from tobacco burning in the tobacco fields. Gate-crashing a classic motor rally was bad form, but it was even worse for the hitch-hiker beside me. Lord Montagu of Beaulieu - founder of England's National Motor Museum, a piece of living motoring history - whose father had overseen the original number plate Bill in Parliament, had begun the event five weeks earlier in a 1915 Prince Henry Vauxhall which broke down soon after the start. It had come to this, caddling a lift in a 1997 Micra, powered by Avis. Even worse, for some reason the manufacturers had printed "Jive" in Day-Glo letters on the door.

Still, you had to admire his style as we stopped on a high mountain pass and he rang home on the satellite telephone to ask his wife if the grapes had been picked in his vineyard. His tenacity was admirable, too. His car was still in China when radiator problems left the 72-year-old car on option but to ship it home, choosing to beg any lifts he could for

the rest of the 10,000-mile journey. He transferred his bags from a Rolls-Royce Phantom, which had been used by the Queen on state visits to Australia. The Micra was quite a comedown. Lord Montagu's determination to stay with the race typifies the spirit which has driven competitors to defy the organisers' prediction of a 75 per cent fall-out rate from the original field of more than 80 cars. Some, like Maltese businessman David Arrigo and Willie Caruana, who are driving a crimson 1948 Allard M-type, have gone missing for days before rejoining the event after arduous overnight drives to catch up.

They did not make many of the M-types and you can see why. Arrigo almost runs out of fingers as he tries to list the mishaps. "But we'll get there. If necessary, we'll truck it into Paris." His co-driver Caruana, a Maltese hotelier, has a sedan chair in his private museum at home. It might have come in handy. "All the people here are successful people and they have taken this on in the same way as they have done other things in their lives. They are determined to finish. This is what this event

is all about - determination," he says. As Caruana points out, most of his fellow competitors are not short of a brass band. One driver, David Cohen, a Canadian who has his mining interests, had entered a 1930 Stutz which had travelled just 60 miles since a \$750,000 restoration. Most are what Philip Young, the rally organiser, calls "confirmed petrol heads" - prepared to push their lovingly restored motors to the limits of mechanical endurance and sometimes beyond. John Sturtard, the chairman of Coopers & Lybrand China, drives the sort of car the man who broke the bank at Monte Carlo would have used to take away his dosh. Built when the sun never set on the British Empire, his 1934 Rolls-Royce 20/25, with running boards and fared wings, is tall enough for a top hat and as graceful as a Fred Astaire shuttle. But its aluminium frame, painted in the FT pink of one of its sponsors, bears some ugly dents collected along the journey - although the engine itself is running smoothly. Sturtard says: "It's been a very tough event but we've got a reliable car. You just keep it topped up with oil and petrol and water in the radiator and you can drive it forever." As other competitors struggle to maintain their engines, brakes, wheels and the 101 other things that go wrong after every day of the route, Sturtard parks his pink Rolls-Royce and goes off to dinner. Although it is the Bugatti,

In 20 years of marriage it's the only thing that has come between me and my wife

It broke down early on and he shipped it home. Now he has reappeared with an 8-litre Bentley. All the vintage cars are special, but the Stutz and the Bentley are something else. They are concourse cars in showroom condition.

Top football clubs have received much bad publicity for producing new replica kits at too-frequent intervals and charging unrealistically high prices for them; but that is but one thread in soccer's sartorial revolution. At the other end of the spectrum, "declaring war on the twin evils of Br-Nylon and tacky sponsors' logos", there is Philosophy Football.

This mail order firm is thriving, selling football shirts adorned not with club crests or company advertising, but with the thoughts of some of the greatest minds in history. There is Wittgenstein: "Imagine people playing football, kicking the ball in the air, chasing, fouling each other. Is there not the case to make up the rules as we go along?" Gramsci: "Football is a model of individualistic society. It demands initiative, competition and conflict. But it is regulated by the unwritten rule of fair play"; and that famous goalkeeper Albert Camus: "All

place pleasure of "going to the match". In its place is the complex, multi-layered, irony-shrouded, media-driven experience that is football today: post-fandom. "There has been a huge change in the past 10 years alone," says Redhead. "We have a minister of sport who defines himself as a fan, whose kudos as a politician is actually reinforced by his authenticity as a fan. But, in turn, ordinary fans are much more aware of the media games that are being played by such figures."

Spectators now are aware that they are being sold the game in some way. The experience of watching satellite television in a pub because you cannot afford to go to a top class game is very different from going to the stadium - you are not experiencing the event directly at all, it is all mediated in some way. Redhead admits that football offers a more wholesome spectacle today, and that the calls for a return to the traditional male working class culture of watching football are misplaced nostalgia. At the same time, he says something has been lost: "I feel ambivalent about it. There has been progress - facilities at grounds are better - and people should not pour scorn on that. But the cutting out of a whole section of traditional fans has resulted in a loss of some of the passion."

"It is a little like the political parties in a post-ideological age. It has become very hard to attach any idea of passion, commitment or enthusiasm to politics today. To some extent, it is just part of modernity, and it has happened to football, too."

Redhead is critical of media reporting of issues such as hooliganism (we talked the day before the violence of the Italy-England game), which he says merely follows its own agenda. "Sometimes it is over-played, such as in the build-up to Euro '96, sometimes it is under-played - there are still gang fights in city centres on a Saturday night which are scarcely reported. It is very hard to get a sense of what is really happening."

"There is a lot of misinformation. But those who are out to cause trouble are cleverer than the intelligence services, and have been for some time."

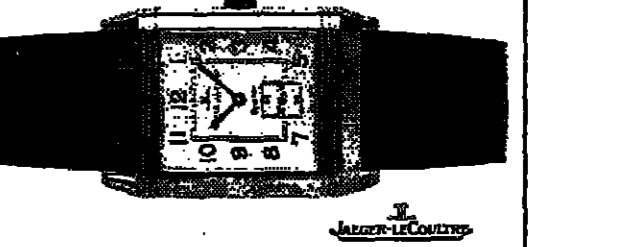
Nevertheless, the difference in atmosphere between the late 1980s following the Heysel tragedy and today is palpable. He says that Italia 90 was the turning point in British football culture: there was the appropriation of the Italian concept of how to spectate (non-violent, more women, cool), the Pavarotti phenomenon ("a powerful symbol of the breaking down of barriers") and even a good England World Cup song (New Order's "World in Motion"). "Suddenly football wasn't naaf."

Football
Cultural revolution

Peter Aspden puzzles over football shirts sporting philosophy quotes

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How to Spend It

Fashion

Hard to see the frills for the froth

Brenda Polan finds three Britons' shows in Paris are as much about media manipulation as design

The excitement in Paris this week has all been about three August but faded fashion houses and the three young Britons who have been given the responsibility of putting the colour back in their cheeks.

John Galiano was the first recruit. Fey, funny by nature, driven by a romantic imagination and a passion for perfection, he was initially given the big job at Givenchy, then, after only a year, Bernard Arnault, chief executive of Louis Vuitton Moët Hennessey, parent company of both houses, moved him to Dior.

His place at Givenchy was taken by Alexander McQueen, outspoken, foul-mouthed and the master of modern, aggressive tailoring. McQueen is nearly a decade younger than Galiano and their styles, their perceptions of female beauty, are polar opposites.

That Galiano should be trusted with the image and reputation of a great couture house seemed appropriate: McQueen was a far riskier proposition.

The third member of the trio is 25-year-old Stella McCartney, the youngest daughter of Paul and Linda and a 1995 graduate of St Martins College of Art, alma mater to both Galiano and McQueen.

When Karl Lagerfeld announced that he was not renewing his contract with Chloe, McCartney was the surprise appointment to replace him. Her youth and inexperience occasioned widespread speculation that this was a public relations appointment, designed to borrow glamour from a name which still represents a kind of rock-royalty.

On Wednesday, in the grandiose surroundings of the Paris Opera Garnier, she presented her first collection for the rich but decidedly off-the-beat fashion house. In contrast to recent seasons, when invitations to the Chloe show were easy to come by and largely uncoveted, everyone wanted one this week and, as is the way



Anber Valetta in red fishtail evening dress by John Galiano

of the market, they were capriciously rationed.

Linda and Paul McCartney were in the front row with Ringo Starr and his wife Barbara Bach and an assortment of other celebrities such as Kylie Minogue and Meg Matthews, free-spirited girlfriend of Noel Gallagher, several hundred photographers and television cameramen mobbed them as soon as the appointment of Stella McCartney was a PR ploy, it

worked. Thanks to those pictures, Chloe is a name once more on everyone's lips.

On everyone's little gilt chair in the rococo upper salons of the Opera Garnier, was a large facon of Chloe's new scent launched in the spring, before the appointment of McCartney was announced. It is called Innocence, as was the first section of McCartney's show – a parade of little white cotton nothings, all pie-crust frills, pin tucks, fagoting, delicate tone-on-tone embro-



Kate Moss in strapless silver mini dress by Stella McCartney for Chloe

der and drawstring gathers. It was the ingenious taking on the ubiquitous lingerie look done first by Galiano in bias-cut satin and Calais lace, and it set the mood of useful simplicity for the rest of the collection.

This included understated 1940s silk dresses, some undistinguished, plain tailored linen jackets, some of which were floor length, and flat-fronted trousers (always teamed with a frilly, filmy, hardly-there blouse) and corseted evening dresses in pastel striped taffeta.

This was a debut collection which offered little in the way of creative originality, but which restored Chloe's long-lost image as the pretty fashion label and, more importantly, re-enforced the mood of the new

scant. If the stock rooms of the great perfume departments throughout the world are not piled to the rafters with boxes of Innocence, they should be.

Grown-up women with the money to pay Chloe's prices may not be seduced by all this girlish finery. But even they, enchanted by the freshness of the look, seduced by the clamour of the coverage of the show, and sensing the significance that that conveys, will want to try it.

Which is what the torture of this 10-day series of Paris shows is all about. As the world's fashion press scrambles from one under-sized venue in an obscure, uncharted part of the city to another, there to face bullying security men, artificially induced mob panic and

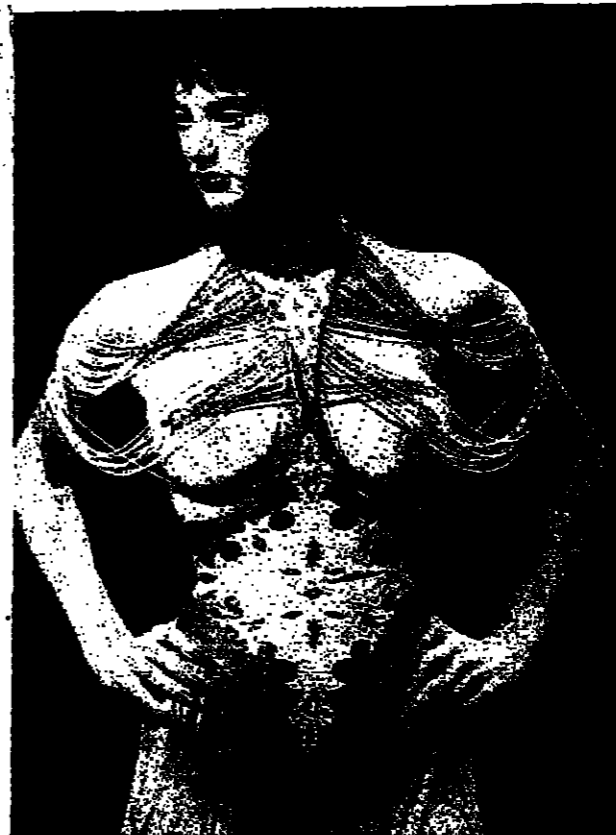
generalised hostility, there is only one conclusion to be reached: we are a cynically manipulated, under-paid branch of the marketing department of the perfume industry.

For, increasingly, we are being called upon to witness spectacle (Galiano), provocation (McQueen) or celebrity studied news story (McCartney).

This is not about the best clothes the best designers can produce; it is instead about the bottom line of a huge, wealthy, global clothes and accessories industry. Fashion has been hijacked by an industry which was once its modest, supportive, paid companion. What was once the dowdy cousin has been offered the shelter of fashion's mansion and has



Helena Christensen in taffeta bodice and silk skirt by McCartney



Honor Fraser in sheer dress with corset by Alexander McQueen

taken it over – only letting the host out to perform periodic party tricks.

Thus Dior spent huge sums knocking down a wall and transforming two spaces under the Louvre Museum into a fragmented 18th century *Hotel Particulier*, furnished with antiques and Belle Epoque objects for Galiano's second ready-to-wear show for the house.

There were a handful of ill-considered day-wear outfits, and then a parade of stunning evening dresses which developed Galiano's lingerie theme and moved on to breathtaking luxury, glittery glamour and semi-transparent sensuality.

As actress Nicole Kidman, remarked: "I don't know much about fashion, but these looked more like cou-

ture clothes than ready-to-wear to me." And they will be priced like couture clothes too. In the many thousands.

And at Givenchy, where Alexander McQueen is quite open about the pleasure he takes in making it difficult for people to see his shows, the collection was a garishly exuberant cocktail of Dolly Parton's loud period, the *Follies Bergeres* and *Dynasty* done to excess.

His befringed, diamonds dotted, patent leather trimmed, body-flaunting collection could be construed as a bid to recruit the heretofore customers of the late Gianni Versace. For these were clothes only rock-chicks, footballers' wives and exhibitionists with fat trust funds could love.

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مكتبات النور

HOW TO SPEND IT

Taking the stuffing out of the shirt

Stephen Ferns explores the new generation of less formal, more flexible members' clubs

The most often quoted of all Groucho Marx's great lines is the one about not wanting to belong to any club that would have him as a member. Wanting to belong is a natural human instinct, as is the desire to socialise - especially with those of a like mind. Being isolated is no fun, especially in a big city. Lonely people even die sooner, so being one of a crowd has advantages way beyond membership privileges.

Women are still not allowed to join "gentlemen's" clubs such as the Royal Automobile Club or the Garrick, presumably for fear they would clutter up the place with their knitting or cause trouser commotions among older gents by sucking lasciviously on a stogie the size of a baby's arm.

Incidentally, anyone with a penchant for cigars should check out the Havana Club, next door to Monte's at 165 Sloane Street, London SW1. It offers members a choice of more than 20,000 cigars.

Today, there is a new breed of social establishments from which you won't be chivvied along to your fleapit at 11pm (of course, if you're fortunate enough to live in Scotland, late-night drinking is the norm), sexes are treated equally and single women can enjoy a quiet drink without being accosted by drunken sleazebags.

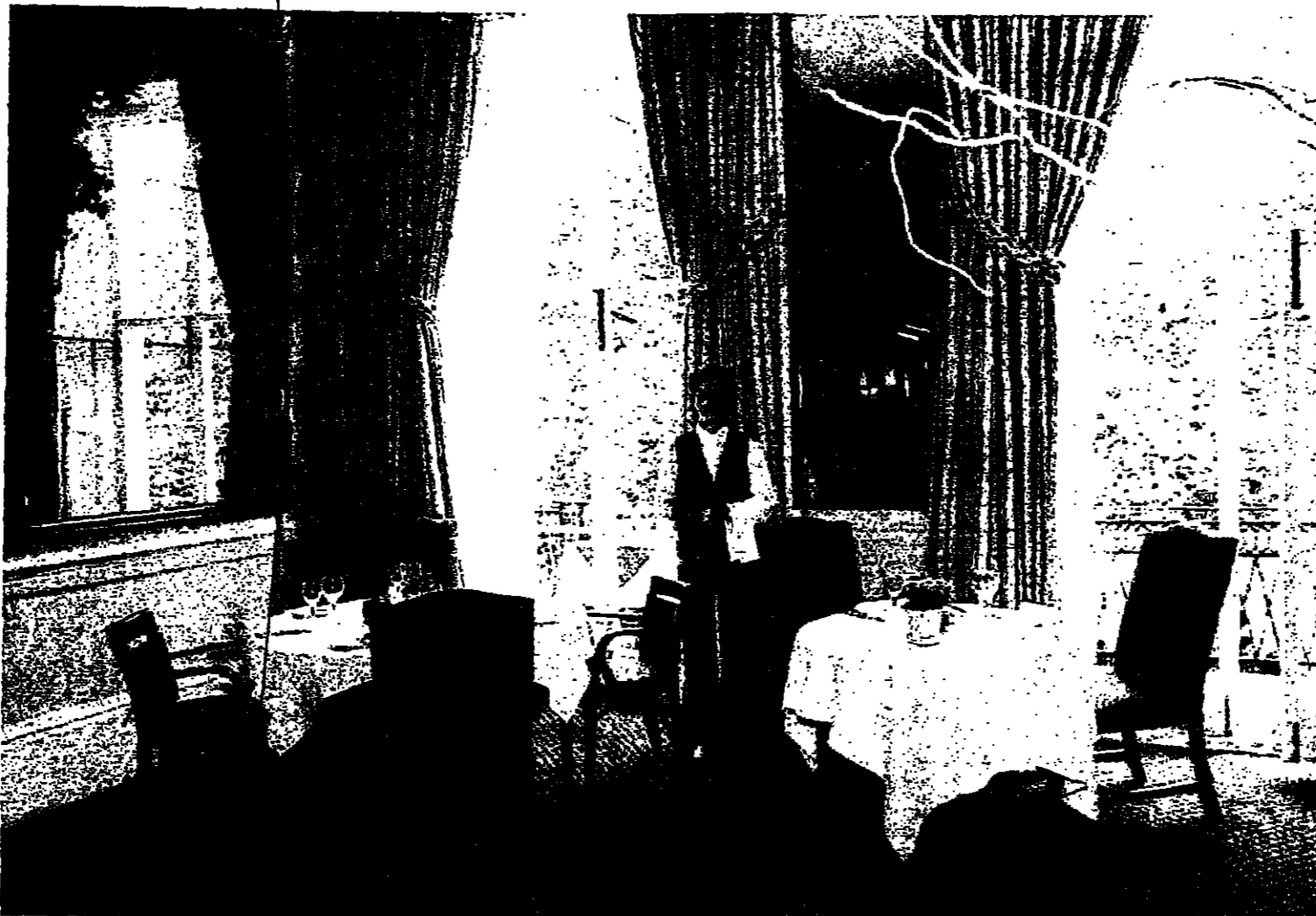
All have bedrooms and many offer reciprocal memberships at clubs worldwide.

Some, such as the Atlantic near Piccadilly Circus or the Met Bar at the Metropolitan Hotel just off Park Lane, are not clubs in the strictest sense, but bars into which you may be admitted without charge if, and only if, the keepers of the velvet rope deem your face and general ensemble to be suitable.

What you know is irrelevant. If you are unconnected, social Siberia beckons. Blacks in Soho has a fine reputation among those who know it, but its telephone number is ex-directory. Similarly Green Street, a hangout for ad people and actors, is "not interested" in you knowing about it via such a low-rent route as the humble FT. Word of mouth is king, so long as it's the right words from the right mouths.

It's a curiosity of the human condition that deems the mysterious and unobtainable to be the ultimate in desirability.

There is nothing mysterious, however, about The Cobden Club in west Lon-



Upper echelons: Morton's in Berkeley Square is actively seeking an under-30s clientele

don. It boasts a cavernous bar festooned with sots, huge mirrors and swathes of crimson velvet, and a vry tasty restaurant. The Cobden has a footy team, which regularly thrashes the Groucho, and there are literary readings every Tuesday evening with the likes of Nicholas Colegrave, Charlie Higson and Naif Kureishi. You can even learn to salsa.

Any old Joe can sign p if they know a couple of members, or just one of the committee members, a list of whom is thoughtfully provided with membership inquiries. Although how you'd track down Kate Moss or Malcolm McLaren to ave them sign your form is a mystery.

"I think members' clubs will be the community of the future," says Lori Kellar, head of press at the Institute of Contemporary Arts (ICA) on The Mall the best value option for an after-hours tittle in the capital. "I was at Soho House the other night and it seemed that individual - even women alone - could drop in knowing they would meet someone they knew."

But I bet they don't know their neighbours.

Soho House has only been around since 1994. It's cosy, full of actors and media people, serves delicious nosh, and has a couple of bars and a screening room for movie previews. "We give people what they want,"

You won't be chivvied along to your fleapit at 11pm, and sexes are treated equally

says managing director Nick Jones, "good food, a good atmosphere and we're open until 3am."

If this sounds like the place for you, think again. Membership has been closed for six months and is likely to remain that way. Perhaps the problem with clubs that attract a younger crowd is members tend not to die

with sufficient frequency to accommodate a fresh intake.

One London club actively seeking a sub-30 clientele is Morton's in Berkeley Square. Established in the 1970s by Peter Morton, co-founder of the Hard Rock cafes, it's just had a refurbishment.

"Traditionally, our members have come from the upper echelons of the rock business, but we also have property developers, oil barons and senior ad men," says marketing director Rory Keegan.

Reciprocal discounts already exist at the Feathers hotel in Woodstock, near Oxford, and Bishops Row House, in Westminster, Wiltshire - both outposts of the Morton empire. More will follow. Anyone under 30 can join for £195 a year, plus a £100 joining fee. "Pretty girls never knowingly refused," says Keegan.

For those who don't live in London, but visit regularly, being a member of the St James's Club or the Sloane Club is a solution to the impersonal aspects of a hotel. At the St James's Club, for example, members can order a full meal in the restaurant 24 hours a day, or



The top table at the Sloane Club

sit down to a five-course dinner with 30 friends at midnight. Reciprocal memberships operate at 530 other clubs worldwide, including the Stock Exchange and Athletic clubs in New York. Neither, however, is the place to let your hair down.

"It seems to be a London thing," says Steve Astbury, sales manager in the north for Laurent-Perrier. "If I wanted a bottle of champagne in a convivial atmosphere without it being a

disco full of kids or a stuffed-shirt gentlemen's club, I couldn't. In the main, these places just don't exist."

Fortunately, there are a few exceptions. The Office behind St Paul's Square in Birmingham opened last month. It's on five levels in a listed building atop the Oceanic restaurant. In January, a spa will be added and by next summer it will also boast a swimming pool, gym, conference facilities and 10 bedrooms.



Bon viveurs of 35-plus go to Monte's in Sloane Street

The members' clubs

LONDON

■ The Cobden Club, W10: 0181-960 4222. Membership £260 pa plus £150 joining fee. Bedrooms: no. Crowd: media, music, arts, 25-plus.
■ Morton's W1: 0171-499 0363. Membership from £195 pa plus £100 jf. Bedrooms: no. Crowd: music biz, advertising, oil, property, 30-plus.
■ Monte's SW1: 0171-245 0896. Standard membership £500 pa plus £250 jf. Bedrooms: no. Crowd: wealthy bon viveurs, 35-plus.

■ Met Bar at the Metropolitan Hotel, W1: 0171-447 5757. Membership free, waiting list of indefinite duration unless you know the right people. Bedrooms: yes (in the hotel). Crowd: rubber-necks, 25-plus.

■ ICA, SW1: 0171-930 0493. Membership from £25 pa. Bedrooms: no. Crowd: arty but not arty, 20-plus.

■ The Sloane Club, SW1: 0171-780 8131. Full individual membership £300 pa plus £100 jf. Bedrooms: 144. Crowd: traditional, visiting Country Life readers, 40-plus.

■ St James's Club, SW1: 0171-429 7888. Membership £300 pa plus £150 jf (both plus VAT). Bedrooms: 60. Crowd: invisible, 40-plus.

ALSO:

■ Green Street, W1: 0171-493 2038; Soho House, W1: 0171-734 5188; Atlantic Bar and Grill, W1: 0171-734 4888.

MANCHESTER:

■ Mash: 0161-661 1111; and Air: 0161-661 6161.

BIRMINGHAM:

■ The Office, 0121-236 7500. Membership £25 pcm plus £150 jf. Bedrooms: 10 from summer 1998. Crowd: too early to tell.

If you are in Manchester, pop in to Mash and Air on Chorlton Street. A sister to the Atlantic and Coast in London, the bar at Mash is open to the chosen few until 2am Friday and Saturday, 1am on Thursday.

It's a chic version of the chicken and egg scenario (quail and egg, perhaps) - you want to get to know new people, so you decide to join a members' club, but you have to know members in order to join.

One alternative is learning to lie with style. Marie Claire recently reported how one of their writers posed as American actor Jason Patric's girlfriend in order to bag a table for dinner at both the Groucho and Soho House. It worked a treat at Soho House, but cut no ice at all with the Groucho. There is, however, always one last recourse for the socially disenfranchised, and it's how most clubs were born - start your own.

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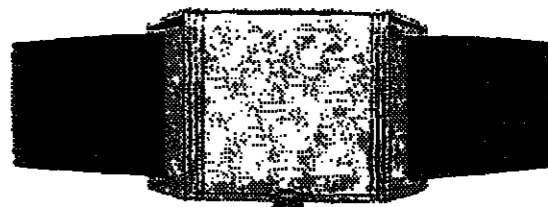
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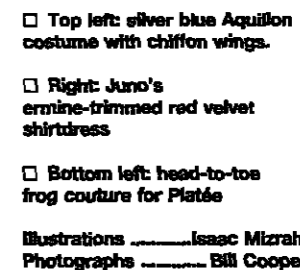
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PROPERTY

Cyprus stages a comeback

Gerald Cadogan finds the living, and buying, is easy

The British are back in the market for holiday homes, says a chorus of estate agents and property developers in Cyprus. They are delighted, since demand has slowed in the Cypriot domestic market. This reflects a quieter phase in the island's economy, says chartered surveyor Antony Loizou.

Annual growth has dropped to about 2.5 per cent, which a few years ago looked set at a dizzy 5 per cent, with tourism rising 10 to 15 per cent annually. Now tourist receipts are static.

"Our problem is we're spoilt," says Loizou. "We're used to fast economic growth." One side-effect is that it is a good time to buy a house or flat. Conditions are ideal for UK buyers turning pounds sterling into Cypriot pounds, and in today's British market, selling a home to buy a property in Cyprus should leave plenty to bank.

The Russians are also coming - enough to warrant their own school in Limassol. They benefit from "a favourable tax treaty, from 20 years ago when nobody expected freedom of movement or the collapse of the Soviet Union," says Loizou.

There are also buyers from other European Union countries, Arabs, and some Israelis, attracted by the ease of offshore business in Cyprus. The British, who used to make up 70 per cent of the market, form 40-50 per cent, says Loizou. They are most prevalent in Paphos, in the south-west.

Life is easy here. Everybody speaks English, and has a friend or relative in north London. Crime is not a threat. Vegetables are delicious, wine and brandy ubiquitous.

The country of the Troodos massif and the wild west coast, with its turtle breed-



Pool life at Kamarea village in the hills above Paphos

ing beaches, is spectacular. The Troodos also has the old British hill station, where the colonial government went to escape the summer heat of Nicosia, with its Swiss-looking hotels featuring tin roofs.

Following the mountain trails in the Troodos is good sport, but better still is seeking out its superb painted churches. Elsewhere, there is much archaeology to see, and the Cyprus Museum in Nicosia is not to be missed. First-time visitors are always astonished by it. And if golf is what you want, Cyprus now offers it.

It is easy for foreigners to buy property, provided it is for their own use, not for investment, and they do not intend to work in Cyprus. These restrictions do not apply in Spain and Portugal - Cyprus's main competitors in the south European property market. It means that people "make a conscious decision to settle in Cyprus", says Michael Cartwright of Paphos-based Leptos Estates, rather than drifting into it (as may happen in Spain and Portugal).

Buyers tend to be in their 50s waiting to retire, or older, except for the expatriates from Saudi Arabia who relish the freedom and familiar way of life of Cyprus - an odd blend of Greek and

British cultures - and the ease of getting a drink. The Council of Ministers vets applications to buy property, but that is usually a formality. Approval automatically implies permission to stay. After five years, you can apply for Cypriot citizenship and a passport, which is an attraction for some of the Arabs and Russians.

The biggest tangible bonus for foreigners owning property in Cyprus is the right to buy a car (or two per couple), and change it at stated intervals, duty free. Cypriots, however, face 100 per cent tax. And, on selling their property, foreigners may export their original investment, plus up to C£50,000 a year of capital gains on the sale.

On offer are village houses, or a house or flat in a new development, such as Leptos's Kamarea Village in the hills above Paphos, planned so that no house obscures the view of those higher up the hill. Two-bedroom villas start at C£59,000.

There are beachside developments (with no ownership rights to the beach, since it is public property), such as Cybarco's scheme at Coral Bay (C£25,000 to C£75,000), or the Alakati scheme at Ayia Napa scheme (C£20,000 for a three-bedroom villa) that Loizou is marketing. It is

worth inquiring about possible resales, which, given the age of many buyers, happen regularly.

The best village houses have a paved internal courtyard, behind large doors, with a long, low, two-storey house on one side. The staircase is usually outside. Across the yard are animal sheds, which convert well into studios, and bathrooms. Prices depend upon state of repair and distance from the local centre. Expect to pay from C£25,000 to C£65,000 (in top condition).

Foreigners, Cypriots report, seem less keen to restore these old houses than they were a few years ago, perhaps because they do not want the burden of coping with local builders.

There is a middle way, says chartered surveyor Renos Pitros. Buy a plot, probably on the edge of a village, and build your own house. A new house 10km from Paphos with three bedrooms will cost about C£65,000, with a further C£15,000 for a pool. (He suggests waiting until you see how much you use the house before installing a pool.) Building can be done in stages as funds become available.

If Cyprus joins the EU, as is likely, expect prices to rise as employment and investment restrictions on foreigners' use of property cease to apply. And, since the island has full employment, there may be further demand from EU workers to Cyprus.

In the immediate future, the biggest development will be the completion of the motorway to Paphos, which will make the south-west more accessible for weekenders away from Nicosia.

■ **Cybarco, 00357-6-236337, or in London, 0171-436 3281; Leptos Estates, 00357-6-837775 or, in London, 0181-340 0075; Antony Loizou, 00357-2-424853; Renos Pitros, 00357-6-235344.**



Grade I Mere Hall - the best-looking house to come on the market for many years

On the Move / Gerald Cadogan

Arresting in black and white

Mere Hall is the best-looking house to reach the market for many years. Near Droitwich in Worcestershire, and 20 miles from Birmingham, its bold counterpoint of black and white half-timbering arrests the eye - and leaps across the 450 years the house has stood there.

On a closer look, the house gains much of its effect from the further contrast between the black and white rectangular surfaces in front and the parade of pointed gables in the tiled roof, which are placed above a long, mullioned, window to give the appearance of a long gallery.

It is no surprise that Mere is listed Grade I, as one of England's best half-timbered houses.

The interior is equally impressive, with beams galore and superb panelling, as well as six main bedrooms, five reception rooms and a separate three-bedroom wing. There are 85



Romantic hideaway? A one-bedroom castle

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A-mazing place

Riding is also on offer at Alveston Pastures, an old Warwickshire farmhouse with 18 acres outside Stratford-upon-Avon. Its chief attraction is a maze of 1,000 yews, planted eight years

ago, growing strongly, and a treat for all ages. Knight Frank in Stratford (01789-297735) is looking for £880,000.

Paradise found

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Lauca is one of the 300 islands that make up Fiji and is 2 miles wide and 3½ miles long, with a population of 230. There is a landing strip and a quay and everything else that an island in the South Seas could offer.

Forbes' house is on a hill, and also included in the sale are two other houses, the village where the plantation workers live, and seven guest chalets.

The new owners could run the island commercially or keep it as the ultimate place to get away from it all. The agents are KCF in Edinburgh (0131-225 8171).

and Vladi Private Islands in Hamburg (0049 40 338869).

Summer folly

A romantic hideaway to rent, at £1,250 a month from KCF in Cirencester (01285-658566), is a folly in the form of a miniature castle at Alderley near Wotton-under-Edge in Gloucestershire. The Summer House is on the western scarp of the Cotswolds, with fantastic views across the Severn. With only one bedroom, it looks ideal for a prolonged honeymoon.

Landlord's guide

Hampton's *Lettings Handbook* is an excellent guide to the intricacies of being a landlord. It is of most help, probably, to people going abroad and wanting to let their home, or those thinking of buying property for income. The booklet explains the new safety regulations, the implications and types of tenancy.

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PROPERTY / OUTDOORS

This weekend is the last sensible chance to enjoy half-hardy plants outdoors in the UK. To save them from the frost, you should bring them indoors, however mild the weather seems. Changes are very sharp and the old rule of thumb has always underlined October 14 as the date beyond which tender plants are no longer safe in the Home Counties.

If it is now mild at night for another three weeks, count yourself lucky, not prudent. The heavy and welcome rain has also made the planting of bulbs easier. It was no fun last month when the ground was like a brick, but now the trowel goes in smoothly and it is a quick job to plant 100 crocuses or 100 scillas for their blue flowers next spring.

The great experts like to write as if 100 is as much as you will need. The revered Graham Thomas, one of the UK's greatest plantmen, describes how he began with about 70 crocuses of the flowering Crocus tomentosus and soon ended up with several thousand on his sandy soil in Surrey. On my stony soil, I began with 300 and have reached Thomas' starting point after three declining years. There are only 70 left and you cannot blame my moving or maintenance because the planted areas are left alone as I wait for this supposedly rampant crocus to start ramping.

Experts such as Thomas clearly never had squirrels. Indeed, they are not the authorities to whom I would turn for the only advice on rooting out wildlife. The obvious methods should be familiar to you by now, although I have not yet tried hounds.

The squirrels decimate the crocus and the mice take the remains. Fortunately, they leave alone my smaller forms of narcissus, which are the great successes of the past five years' attempts to add variety without multiplying labour and expense. Right now, you could do far worse than plant Narcissus Jack Snipe, Tête-à-Tête and the remarkable February Gold wherever you want early spring bedding.

Tulips are the more conventional choice, but most of them die out in gardens after one or two years and I have



Mixing it up: still time to buy and plant Tulips China Pink for a good show

Garden Picture Library

Gardening

Deadline for tender plants

But Robin Lane Fox finds some comfort in bulbs

started to object to the extravagance of importing these flowers for a fortnight at such a price. The small narcissi live and multiply in the soil. There is no need to lift them and I now fit the summer bedding plants round their dying leaves in late May. These leaves can be knotted and by mid-June can be removed entirely. The earlier the narcissus, the easier it is to have two seasons by following on with summer annuals.

Impatient gardeners and high financiers at weekends like to talk of "plastering their borders with thousands of bulbs". It is subtle to space out smallish groups down the length and middles of the bed, allowing them to multiply with time. About 200-300 go a long way in groups of 20 and I much prefer the effect of clumps against bare earth.

An alternative is to opt for the Sissinghurst spring effect and mix up all sorts of varieties into intensive groups, prolonging the season from March until late

May. The gardeners have perfected this art in what began as Harold Nicolson's personal garden beneath the bleached trees at Sissinghurst and has become one of the spring mainstays for thousands of visitors.

Fritillaries, species tulips, small jonquills and dogs tooth violets are jumbled up together in small rectangular beds, which could easily be copied to bring a touch of the foreground of a great Italian painting to a paved London garden. Leave a few rectangles of good soil unpaved and imitate the Primavera with a jumble of pre-selected candidates for springtime.

Picking and mixing also apply beautifully to tulips. The growers' mixtures are a poor and unpredictable lot. It is better to buy four or five varieties you like and then mix them up in the wheelbarrow before planting your pre-selected rainbow for the future. There is still time to choose tulips and wait until early next month to plant them. Last year, I mixed up the striped Marilyn, the lovely yellow Sweet

Harmony and China Pink with touches of the marble-white Carrara. They kept up a good show, sometimes coinciding, sometimes picking up the challenge in the relay during that wonderfully clear and dry spring.

If I have hopes of Graham Thomas-style multiplication, they rest with the hardy small anemones. Squirrels seem to ignore them and they like the dry soil which the climate is giving them in the 1990s. My favourite among the cheap options is Anemone Blanda Blue, although the mixture of blue, pink and white run it a close second. The small tubers are easy and quick to plant, but I value the expert advice to soak them in cold water for at least 24 hours before planting.

Soaking seems to increase the proportion which then show leaves and flowers at ground level in late March. On dry soils, they really do spread and remind you that it is not only the experts of the older generation who could harness nature and end up with carpets of flowers with such apparent ease.

London Life

For Lord's and love nests

Gerald Cadogan reflects on St John's Wood's sporting life

It must be the oldest and most central of London's leafy suburbs. Unlike Hampstead or Chelsea, St John's Wood in NW8, with a small part in NW6, did not begin as a village waiting for the metropolis to engulf it.

It grew from the early 1800s as a series of planned developments of pretty stuccoed villas with large gardens and Georgian Gothic cottages *enfilade*, in the area north of Regent's Park between Maida Vale and Primrose Hill, and south of Kilburn and South Hampstead.

The cottages are in the delightful light style of John Nash's cottages round Regent's Park - as in Park Village East and West near the zoo - and maintain his theme of *rust in urbe*.

Even though the handsome church (with good monuments) at the end of the high street arrived in 1814 to bring faith and morality, St John's Wood was, say the stories, a place for love nests and one's mistress. Across the road from the church, Lord's began that same year, when Thomas Lord (1757-1832) moved the pitch on which the Marylebone Cricket Club played from Dorset Square in Marylebone to its present site.

Behind Lord's, there is an area of small streets, some still winding lanes just as they were in the 18th century. Even St John's Wood High Street, the heart of the village and its centre for shopping, is narrow (and fiendish to drive through).

By the 1890s, many artists lived here, as blue plaques on the walls commemorate. Sir Lawrence Alma-Tadema, the painter, made sure all knew his house in Grove End Road. The gate piers have a relief colonnade in plaster of the intertwined letters ATL.

Theatrical director Frith Banbury, who has lived in St John's Wood for 86 years, remembers that, when he



For enfranchisable 27 Norfolk Road, the price is £2.75m

was a boy at 6 Greville Place, the president of the Royal Academy was across the road, and a sculptor next door.

He also pointed out where Phil May had a studio. "Alan Bates is over there," he waved, and "Bernard Miles started the Mermaid Theatre here. He put up a tent in the garden, and Flagstad sang Dido and Aeneas."

In the 1930s, and again in the 1960s to 1980s, apartment blocks appeared on the larger roads in St John's Wood. The most handsome is probably Stockleigh Hall on Prince Albert Road, a 1930s Art Deco-ish design. Avenue Road has big 20th century villas which would

suit the smart suburbs of any US city, but even here and at Maida Vale a few of the old houses survive.

Between Avenue Road and the high street is a large tract of postwar council housing. "Despite the huge discrepancy in incomes, the social mix works harmoniously," says Banbury. He believes it is because the estate is well maintained.

But St John's Wood has always been a social mix, ever since it became a nesting ground for mistresses. In the 1930s, it received many refugees from central Europe, resulting in synagogues and a still strong tradition of cakes and sweetmeats in the high

street. The Americans have the American School, Japanese are chauffeured to the City, and investment buyers of flats come from the Continent and south-east Asia.

As for the many Arabs, "they always follow where the Jews live," says Patricia Greenstone of John D'Wood. "The two go well together. It happened up in Hampstead in the 1970s."

Flats in the best blocks sell well, and houses are always in demand. Neville Castagna of Goldschmidt & Howland says, "few enter the market. There is never a glut."

The high street remains the focus of St John's Wood. "I love it," says another long-time resident, playwright Christopher Taylor. "But you have every opportunity there to spend an awful lot of money."

He also enjoys walking to the West End in 25 minutes "through a beautiful park".

Villas are not cheap. Kerr-Gilchrist and John D'Wood are selling 27 Norfolk Road for £2.75m (the house is enfranchisable), while 48 Abbey Road was recently sold freehold by the Eyre estate through Cluttons Daniel Smith for £775,000 (after sealed bids) when needing a complete overhaul.

The same agent offers the semi-detached 44 Acacia Road for £1.2m, and John D'Wood a large semi-detached house in Carlton Hill for £1.875m. Bargetts offers a corner house at Carlton Hill and Abbey Road for £1.85m, and a detached villa in Clifton Hill for £1.65m.

A terrace house in Alma Square, with direct access to the communal gardens, costs £995,000 from Winkworth, and a large ground floor flat in Stockleigh Hall on Prince Albert Road £330,000.

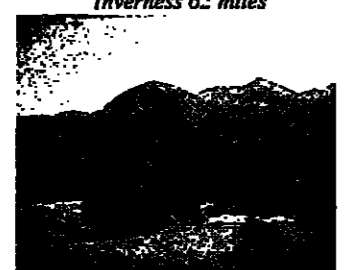
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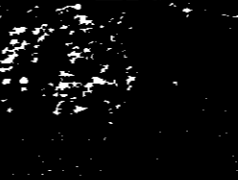
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FOOD AND DRINK

Do not settle for any port in a storm

Jancis Robinson uncorks a few surprises as she assesses the vintages of the 1980s

A vintage port tasting is particularly difficult to organise. And who would have thought that a pop sock would have been so useful?

Even one bottle of vintage port, no matter what the port shippers say, is quite a business to open and decant. In some cases, you have to chip your way through a wax seal over the cork. In every case, you have to stand the bottle upright for hours to settle a thick sediment off which you must pour the clear wine very gently, monitoring the operation through the darkest glass imaginable. One day last May, Tim Stanley-Clarke was charged with organising a blind tasting of all the most important vintage ports of the vintages 1980, 1982, 1983 and 1985, totalling 37 in all. One of the most practised port tasters in the wine trade, he knew that his wife's nylon hosiery, stretched over a funnel, would make an ideal filter. Even thus armed, he had to allow sev-

eral hours for the operation. His work was increased by continual requests that back-up bottles of disappointing wines be opened and painstakingly decanted. The tasters, who included some of the key members of what is still called the port wine trade, were keen to give each wine the benefit of every doubt. The most surprising thing about this possibly over-ambitious tasting was how well the 1980s showed and how disappointing were the 1985s. With just one exception, the particularly impressive Fonseca (€390 a case at Farr Vintners of London SW1), the 1985s looked at least as old as the 1983s and seemed much less vigorous. The 1985s seemed to be evolving too fast to make a classic vintage. They

were slightly formless, hot, alcoholic and occasionally disturbingly volatile wines. The two usual stars, Taylor and Graham, were both rather odd, for different reasons. For the moment, the Taylor was displaying little inside its impressive framework, while our sample of Graham was dangerously vinegary. Churchill and Smith Woodhouse, much less revered names, showed relatively well. After the tasting I watched Paul Symington of the company which produces Graham, Dow, Warre, Smith Woodhouse, Quarles Harris and Gould Campbell ports, biting his nails as he compared his tasting notes with the crib sheet. Was he, I wondered, as struck as I was by how well, especially in 1983, all his lesser shippers did in compar-



son with the heavyweights? He was and, most importantly for him, among the 1983s he turned out to be as unimpressed as I was by Taylor and Fonseca, both produced by the Symingtons' chief rivals. We were broadly in agreement that the most impressive 1983s, in a fine line-up of ports with an

exciting future, were Gould Campbell, Quarles Harris, Smith Woodhouse (about £20 at Oddbins and Bottoms Up) and Warre (about £24 at Bottoms Up and Wine Rack). The two 1982s were no better than expected from this not-widely-declared vintage, the Quinta do Noval being particularly disappointing and already turning brown. The 1980s were a different story altogether, however. This vintage, written off by several influential merchants incensed by the fact that they initially cost more than the 1977s, seems to have been much underrated. And since today they cost markedly less than either the 1983s or 1985s, they are probably some of the best buys. The colours were very variable

but the best 1980s still had a lovely deep, bright purplish colour boding well for their future with a fine, well-balanced complement of the essential components of alcohol, sweetness, tannin and acid. Most notable were Quarles Harris (intense cassia), Gould Campbell (prunes and cumin) and a seductive but more evolved Smith Woodhouse. Among the 1980s, some of the big names also performed quite well. Graham and Dow (about £30 at Bottoms Up) in particular, but we had particularly disappointing samples of Fonseca and Niepoort 1980. These wines can be found in the auction rooms and on wine brokers' lists for far less than the much-touted 1994s, yet they could be drunk with pleasure

this Christmas rather than having to be stored for decades. Corney & Barrow of London EC1 (0171-251 4051) usually has a better collection of odd bottles of vintage port than most. The broking division has been offering bottles of the delicious Gould Campbell 1983 for just £14 each. Dow 1980 for £28 each and Smith Woodhouse 1980 for £165 a dozen (all ex-VAT). Wilkinson Vintners of London N19 (0171-272 1862) scores highly on both range and value for vintage port and have been listing Smith Woodhouse 1980 at £155 a case (even though there were only six bottles), and Graham 1980 and Dow 1980 at £225 and £230 a case respectively. In general, however, the brokers are more likely to sell the big names - Fonseca, Taylor, Graham, Dow, Warre and Quinta do Noval - than the lesser shippers which did so well in our tasting. The vintage port market is as absurdly, dementedly fashion conscious as that for red Bordeaux.

Word has it that British home cooks are taking meatballs seriously this autumn.

As the UK's Indian summer seems to be over, tottering towers of food piled high on dinner party plates - almost as perilous as stiletto heels - are giving way to earthier considerations. Mini cushions of bubble and squeak, polenta or moulded rice, surmounted by neatly filleted protein, artfully wreathed with wisps of salad, a few anorexic beans or token shreds of roots, do not accord with the domestic virtues of comfort and caring when the temperature begins to fall.

Besides, now that such high-rise chuffy creations are aped on every page of every supermarket magazine, can it really be called trendy to serve them?

The choice of meatballs is interesting. Meatballs mean mince, a word not without dire connotations in recent years, conjuring images of mechanically recovered meat from intensively raised dairy cattle, extruded into burgers and pies.

Yet the case in favour of choosing meatballs is logical. War of a sort has been waged for some time between convinced omnivores and vegetarians. Some of the latter seem to regard themselves as the sole possessors of the high moral ground. As result, a carnivorous backlash has been mounted.

Omnivores point out that only the affluent can afford to pick and choose what they will or will not eat. And, they argue, if one is going to eat any meat at all, the only honourable, "green" thing to do must be to eat every part of any beast slaughtered - not just, say, a dainty slice of filly white chicken breast but also the liver, cockcomb, gizzards and feet.

Rubbing provocative taunts still further into vegetarian wounds, offal and bony extremities were declared fashionable. Recent winters witnessed the rise on chic menus of pig trotters and cheeks, oxtail and marrow bones, lamb shanks, chicken wings, duck gizzards and goose necks.

Now the relentless foodie spotlight is shifting to scrappy forequarters, the cheap, tough cuts of meat that call for particular skill and imagination to render them tender and speed the time needed to cook them. Chopping such meats into patties is a classic solution, and resourceful cooks have traditionally taken pride in demonstrating just how delicious and varied such frugal confections can be. Meatballs were once a universal symbol of stylish economy. And it is to that golden age that this season's new-wave meatball cookery aspires.

Which brings me to the single most important and encouraging trend to emerge on the British food scene for years - a growing interest in sourcing good quality ingredients. This is the silver lining of salmonella, listeria, e-coli and BSE thunder clouds. It is a trend that looks set to gather momentum.

For some time, a handful of restaurants has been happy to announce on menus the provenance of specific ingredients, just as specialist food shops willingly give customers detailed information about the foods they stock. There is a move afoot to follow suit on the dinner party circuit. Table talk has long included the passing-on of recipes for dishes enjoyed during a meal. Now conversation is just as likely to concern the ingredients themselves - the breed of beef, the variety of potato, the grower's name and that of the supplier.

Quite right, too. Decent meat is a key element in good meatball cookery. Without it, the labours of the cook are of little avail, the results all but damned.

THAI PORK RISSOLES WITH LIME LEAVES, CHILLIES AND MINT
(serves 3, or 2 very greedy people)

This scrumptious recipe is from Nigel Slater, best-selling author, *Real Cooking* (Michael Joseph £18.99), is out now. 125g fatty bacon (such as pancetta); 4 spring onions, roughly chopped; 8 large lime leaves; a knob of ginger about the size of your thumb, grated; a large, hot chilli, chopped; 4 garlic cloves, chopped; about 12 mint leaves; 450g minced pork; a little oil for frying.

For the dipping sauce: 5 tablespoons rice vinegar; 1 tablespoon sugar; 1 tablespoon soy sauce; a small red chilli, seeded and finely chopped; a small handful of coriander leaves, chopped. Mince the fat bacon. This is easiest done in a food processor, although it will actually be very finely chopped rather than minced. At a push, you could chop it to a mush by hand - but rather you than me. While the bacon is still in the processor, throw in the spring onions, lime leaves (minus any tough stems), the gin-

ger, chilli, garlic and mint. Season generously with black pepper and salt. Whizz until the aromatics and spices are finely incorporated into the bacon. Mix with the minced pork and set aside in the cool while the mixture stiffens and the aromatics flavour the meat.

For the dipping sauce, bring the vinegar and sugar to the boil in a small saucepan and continue boiling till it turns sticky - a bit like

ger, chilli, garlic and mint. Season generously with black pepper and salt. Whizz until the aromatics and spices are finely incorporated into the bacon. Mix with the minced pork and set aside in the cool while the mixture stiffens and the aromatics flavour the meat.

thin, golden syrup. Remove from the heat, stir in the soy. Cool, then add the chilli and coriander leaves. Get a little oil hot in a pan - it doesn't really matter what sort, just enough to cover the bottom in a shallow layer. Shape the seasoned pork into about 12 little patties, burgers if you like, and drop them, half a dozen at a time, into the hot fat.

Fry for a total of 10 minutes over low heat, turning once or twice. They should be cooked right through (test one by breaking it open: it should be light brown, not pink inside) and the surface

should be reddish-brown and glistening slightly with stickiness from the bacon fat. Eat immediately with the dipping sauce, dunking each hot, citrus-scented burger into the dip as you eat.

LAMB MEATBALLS WITH BASIL AND AUBERGINE
(serves 6)

This one is mine. Lamb aromatised with a sort of pesto. The aubergine is barely evident in the end result, but its presence ensures the meatballs are moist and light.

750g neck fillet of lamb (trimmed weight); 1 small aubergine (about 250g); 1 smallish onion; 2 small garlic cloves; a generous posy of basil; 40g Parmigiano cheese; 2 tablespoons pine-nut kernels, lightly toasted in a dry frying pan; a medium of flour for dusting; virgin olive oil and unsalted butter for cooking.

Peel and cube the aubergine; chop the onion quite small. Heat 2 tablespoons oil in a well-seasoned or non-stick pan large enough to take both vegetables in a single layer. Stir-fry the aubergine briefly. Add the onion and continue cooking very gently until both vegetables are soft and tender. Do not let them scorch or brown, but resist adding more oil to the pan. Stir often - or you may find it best to use a heat retardant mat, cover the pan and let the contents sweat until done.

Pulse-chop the softened vegetables in a food processor until reduced to a semi-mush. Turn the mixture out into a bowl. Grate and stir in the Parmigiano, season with lots of black pepper and the garlic crushed to a pulp with ½ teaspoon salt. When the mixture is cool, add 3'-4 tablespoons torn basil leaves. Cut the lamb into chunks and chop it in the food processor until reduced to a semi-paste. Transfer it to a large bowl.

When the aubergine pesto is cold, beat it in to the lamb with a wooden spoon, mixing everything thoroughly. Cover and chill for at least an hour, preferably longer, to give the flavourings a chance to blend.

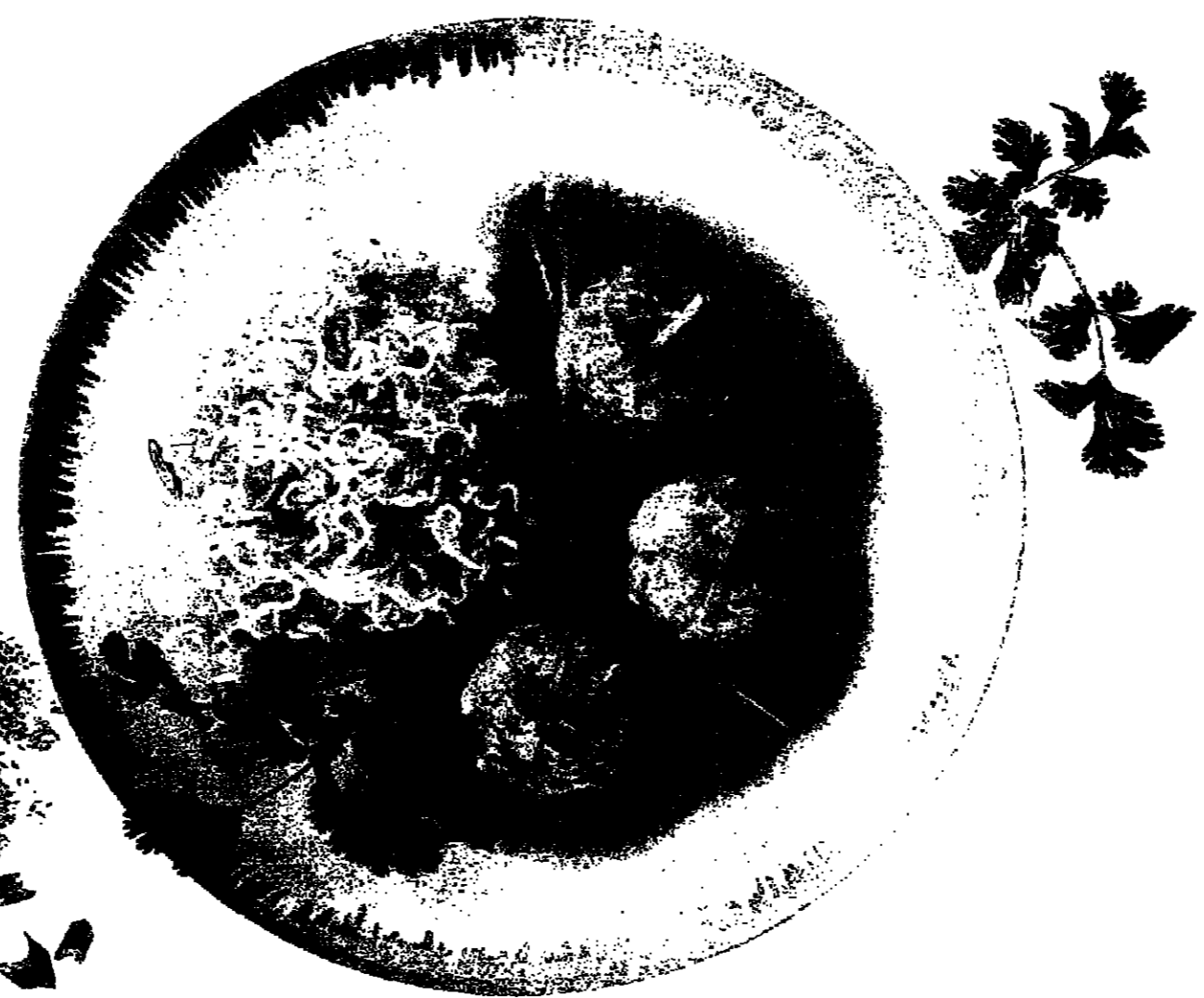
When ready to cook, roll and shape the mixture with your hands into 24 large go-busters. Push a trio or more of toasted pine-nuts into the centre of each and dust very lightly with flour.

Shallow fry, in batches if necessary, in a mixture of hot oil and butter over medium-low heat for about eight minutes, rolling the meatballs round the pan to burnish the outsides of all of them evenly.

Eat as soon as cooked, preferably with pasta spirals tossed in the buttery pan juices, sprinkled with salt and a generous confetti of freshly torn basil leaves. Shredded and steamed Savoy cabbage, spinach, chard or green beans make a good vegetable accompaniment.

Retro is all the rage

Philippa Davenport applauds dishes that challenge the resourceful cook



Dunk each hot, citrus-scented burger into the dip as you eat

London Pubs Sawdust memories

Giles MacDonogh samples a few pints of Young's finest

I am not that old, really. I'm not, but I can remember the days when the pub was divided into public and saloon bars. In the former, you roughed it on sawdust, while in the latter you paid another penny a pint for the use of a smart carpet.

They started breaking down the class divisions in the 1960s. By the end of the 1970s, the saloon bar had already become an endangered species. There cannot be many left.

It is almost true now that the pub has become a classless society; regular pub-goers are united by their love of draught beer. In London these days, they are often odd-balls: students and people living alone or away from home, supported by a sociable crowd which drops in for a few jars after work before dispersing to far-flung corners of the great city.

I was reminded of this last week, when I popped into one of London's last inner-city locals: the Lamb in Lamb's Conduit Street. What a motley crowd they were: doctors from one of the many hospitals nearby, pronouncing a hanging verdict on the academic credentials of psychiatrists; plump students from the London University halls of residence running down prominent performers; locals from the council estates; solicitors from their offices in the Grays Inn Road; and a couple of bearded types I took for hospital porters, but who turned out to be soberly dressed, German tourists enjoying a quiet pint.

The Lamb is part of a badly bombed Georgian terrace, which used to lead up to the Foundling Hospital in Coram Fields. It was a magnificent building, where Handel's *Messiah* was performed in 1750, with the composer at the organ console. The hospital was pulled down in 1828, and only the gate lodges remain. Various old prints inside the pub remind one of its splendour.

The interior of the Lamb is Victorian. The panelling is of the simplest sort, just rough planks, but there is plenty of good cut glass, and the original bar has been preserved complete with the "snob-screen": little glass windows which may be closed or opened, whenever you want a word with the staff. One part of the pub, which now serves non-smokers, has all the makings of

an Irish snug: a self-contained section with access to the bar ideal for louche private business.

All that might make for a jolly decent "heritage" pub, but the Lamb is not like that at all. There is nothing chichi here, maybe that was why it was so heartily recommended to me by an expatriate friend in Berlin. He thought it the essential London pub.

That down-to-earth style is maintained by clutter: flags and trophies; memorabilia from the Honourable Artillery Company; a remarkable *tableau dormant* with jugs and feathers; a Concise Oxford Dictionary and a few other books, all framing some large colour prints of the Queen Mother pulling a pint. There are photographs of stage and screen stars; and a musical element - a tribute to Handel perhaps - a polyphone, a big, clockwork musical box, operated by a perforated disc. There is no piped sound, and no slot machines.

The Lamb is a Youngs pub, and the draught beer - bitter, Special, Winter Warmer and Dirty Dick's - is as good as you'd expect. It also has a fine list of malt whiskies. Somewhere on the wall, a board offered wines by the glass, but a hunch told me that it might be better to stick to beer.

The food was extraordinary. As good a metaphor for what is happening to the UK as you will ever find: half-baked internationalism. Beyond mere normality in the form of fish and chips, "breaded" (which, like "battered", is part of the new Americanised language of catering - who is doing the battering, pray?) scampi and sausages with "fries" (ditto), come the "basket" cases: spinach with feta cheese and prawn "brochettes" (skewers to you) seemed innocuous enough in 1928, and only the gate lodges remain. Various old prints inside the pub remind one of its splendour.

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I suppose we could not Anglicise it really, there wouldn't be any takers for gudgeons: the wrong class of fish. The Lamb, 94 Lamb's Conduit Street, London, WC1. Tel: 0171-405 0713.

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I am delighted to announce the first Financial Times white truffle dinner, to be held at Le Gavroche, W1 on Saturday, November 15 at 7.30pm. White truffles are one of the world's greatest and rarest delicacies. Unique to the region around Alba in northern Italy, they are in season only from October to December and this year are anticipated to fetch approx £1,000 to £1,500 a kilo. The cost of the dinner is considerably less, £150 a person. This will include a five-course dinner, cooked by Michel

Roux of Le Gavroche and Alberico Penati, head chef at Harry's Bar, London. Six Barolo wines, back to the 1982 vintage, will accompany the meal. Service and VAT are included. The dinner is limited to 60 places. To reserve your table, please contact Le Gavroche directly on 0171-408 0881, 0171-408 0839 (fax) quoting the Financial Times white truffle dinner. Nicholas Lander
NEXT WEEK: Philippa Davenport with some more truffle treats and recipes and news of tastings around the UK.

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TRAVEL

The baboon that fell to earth

There are a number of hazards associated with travelling to Africa: snakes, mosquitoes, perhaps even insurrection. But on a recent trip to Botswana I encountered something entirely new. Falling baboons.

We flew from Johannesburg to the magnificent Victoria Falls Hotel for a night, and then on to northern Botswana to what is probably the most remote safari camp in southern Africa, Kwando Lagoon Camp.

This is a private concession, once a hunting camp, set on 80km of the Kwando River. We are met at the airstrip and taken by double-decker raft, provisioned with champagne, tea and wafer-thin sandwiches, down river to the camp, a delightful trip of about half an hour.

The Kwando, in common with the rivers which feed the Okavango Swamp to the south, flows quite clear over hippo pools, reed beds and water lilies. Elephants are never far away.

Kingfishers and pygmy geese are around every corner, and the hippos dive indignantly as the raft passes. Hippos have very short fuses. As the raft passes they surface again, outraged by the intrusion, reminding me of elderly gentlemen protesting vainly at football hooligans.

Soon the raft pulls into a bywater, a lovely lagoon, where not far off two bull elephants are feeding in the shallows. Now we see a landing stage under some huge trees, and scattered tents, shaded by reed thatching. I have been to many safari camps, and this is one of the most beautiful. It is also one of the most peaceful.

Utter tranquillity. But, of course, I have not yet encountered the falling baboons. Our tent is huge, with a shower attached, and the view from the front across the lagoon to the two bull elephants, still munching

Running from a charging rhino, spying on wildebeest, finding an African hideaway. FT writers did it all. But only Justin Cartwright escaped death by baboon. He opens three pages on safaris with the story of his narrow squeak

away on papyrus while knee deep in water, is soothing.

Not too far away a herd of elephants is drinking. Elephants with young are always restless, and I can hear that warning noise, like someone giving a short, inexpert blow on a bugle, as well as the rumble of more intimate communication.

Time for a drink. I settle by the fire outside under giant African fig trees. Suddenly, there is a loud crack and something plummets to the ground not far from me. A large baboon lies dying. It is shocking and unheard of.

Baboons sleep in trees, so it can hardly have fallen from lack of expertise. Someone suggests that a snake may have bitten it earlier. But I, the main witness, distinctly heard a branch break.

The baboon is removed, and I try to forget the image of it breathing its last. I privately suspect that the sight of me drinking a large guava juice some 50ft below may have stirred a fatal envy. I don't know; baboons are complex creatures.

The rest of the stay is hardly less eventful. The unique advantage of a place like this is that you can go anywhere and do anything. One night we tracked a leopard and followed him for some time, a sighting of precious rarity. Later we were to see two more.

On the way back to camp from one encounter, we came across two large male lions roughing up an intruder, a young male. He ran off right through the

to Botswana what yellow cabs are to Manhattan.

One night, after we had been fishing on the raft, Mostert steered into an unfamiliar lagoon. There, a dinner had been set up, with storm lanterns strung in the trees, the cooks busy over a glowing barbecue. God was in his heaven and there was not a suicidal baboon in sight.

Justin Cartwright travelled with Sabena (tel: 0151-790 2270), via Brussels. Sabena has connecting flights in South Africa through its associates, Sabena Nation-wide. Kwando Lagoon camp (\$290 a night all in) is reached by charter from Johannesburg or Victoria Falls. Tel: Kwando Wildlife Experience (Johannesburg 27 11 889 6138) or agents Art of Travel 0171-738 2038.

At this camp, Neil Mostert and his brother, who was visiting from his permanent job with the Natal Parks Board, were extraordinary, both in the extent of their knowledge and their unassuming ways.

Their ability to find lions, cheetah and leopards was uncanny. Kwando Lagoon is a new camp, and I think it will become more popular. Game parks are fine, and many offer excellent camps, but necessarily you are confined at night. The life of the bush, however, goes on after dark; in Kwando you are only a sheet of canvas away from it. You quickly become used to the hippos chuntering away just below you, and even the noise of an elephant feeding, apparently right inside your shower. And you lose all sense of the outside world.

One day Mostert told me of the disquiet he felt when he visited New York. So far as he was concerned, this was the real world and New York was some sort of aberration. I could easily see what he meant as I watched a pike kingfisher dive unerringly for minnows, before a backdrop of elephants. There is almost no moment of the day when elephants are absent from view. They are



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Tanzania The wildebeest migration

Michael J. Woods sees one of nature's great sights

Kasi Moto picked up a lump of buff granite the size of half a brick and banged it repeatedly against the large boulder. The result was a remarkably resonant ringing.

In Swahili, Kasi Moto actually means hot work. And testing the resonance of a rock was very hot work.

We were standing on one of the Moru kopjes, rounded granite fists punched through the crisp grey grasses which carpet the Serengeti to form green and ochre islands in the endless rolling plains.

Below us wildebeest streamed past in parallel columns, thousands of weary feet kicking up the fine volcanic ash in pale, choking clouds that boiled around until, caught by the wind, it was whisked over their nodding heads to reveal line on line of blue-grey backs. All the while the wildebeest were lowering in a bovine way, a sound now synonymous with their migration.

The migration is a complicated process, a remarkable natural wonder and the last of its kind to continue uninterrupted. But, unlike a bird migration, these antelope do not move from one place to another and stay put until moving back later.

Instead, they are forever nomadic, often chasing any localised shower which brings a brief flush of new growth to the parched and brittle grass. Nevertheless, there are defined moments which give an overall shape to what otherwise appear random movements.

The wildebeest calve in late January and February but delay it, if necessary, to fit in with the weather pattern of that particular year.

For safety reasons this takes place on the short grass plains in the south of the Serengeti, where predators can be spotted from a good distance. Slowly the animals move north, chasing showers until the long rains arrive at the end of March, by which time they will be in the central Serengeti.

Well fed, they rut in June and, then split into two cohorts moving rapidly northwards and making their famous crossings of the Mara River.

They mill around until the short rains begin in late October and then go south once more, to arrive in the southern Serengeti in time to calve. It was this calving I had come to see for the immense harvest is perfect for the Serengeti predators who feast while they can. Unlike the nomadic herbivore herds, their territories are fixed and, once the wildebeest move on, the pickings are sparser.

In spite of what some of the more fanciful travel brochures might imply, this does not mean that they still

eral fellow guests to watch a successful hunt.

Probably the most obvious predators, though, are spotted hyenas. The second largest carnivore in Africa, they seem to pop up everywhere, looting across the infinite plains, every one apparently on a mission.

Late one morning, we found 30 at a waterhole - by far the most I have seen together at one time - but still only a part of their clan. Some stretched out in the reeds, others lay half in and half out of the water, their fur collecting even greater crusts of black mud.

Two youngsters foraged under the dark and evil soup until one exhumed the horns and a strip of ragged skin which had once belonged to a wildebeest. Head held high, it trotted away with its prize, a prize so poor that no other well-fed hyena even troubled to challenge it.

Towards the end of my stay at Kusini Camp, in the south-west Serengeti, there was a feeling that the predators' party was over. As we stood on the Moru kopjes and watched European bee-eaters, swifts and swallows flying north, it seemed as if all the natural world was on the move.

I was here on the cusp of the seasons. Tomorrow the herds would be gone, trekking north as they have done for millennia.

Michael Woods travelled to Tanzania with African Explorations, Hobnell Manor, Barn, Hothell, Bedford, Oxfordshire OX28 4TS. (Tel: 01993-822483). He flew to Arusha from his local airport with KLM (0990-750900), which has connections to 18 airports in the UK.

He stayed at Serena Lodge at the Ngongoro Crater and Mashado Kusini Safari in the Serengeti. His first and last nights were spent at Ngore Sero Mountain Lodge, an old German hunting lodge set in beautiful grounds and located between Arusha and the airport. Excursions can be arranged to Arusha National Park and Mount Meru.

مکان التحمل

INTERNATIONAL ARTS GUIDE

What's on around the world

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
● **Dramaal Balanchine:** Dutch National Ballet programme of three works – *Concerto Barocco*, *Violin Concerto* and *Apollon Musagète*, to music by Bach and Stravinsky; Oct 18, 23, 24
● **Lander-Graham-Marin:** Dutch National Ballet programme of four 20th-century works – *Etudes*, *Lamentation*, *Embellished Garden* and *Groosland*; Oct 21

EXHIBITIONS
Rijksmuseum Tel: 31-20-673 2121
Whistler and Holland: paintings and etchings by James McNeill Whistler (1834-1903), who made several journeys to the Netherlands, most famously in 1889, when he produced 14 etchings and paintings of Amsterdam; to Nov 9

Van Gogh Museum
Tel: 31-20-570 5200
Auguste Préault (1809-1879): Romanticism in bronze. 75 sculptures and medallions by the nonconformist whose works, during his lifetime, were regularly rejected by the Salon jury. This display includes important works produced during the 1830s and 1840s; to Jan 11

OPERA
Het Muziektheater
Tel: 31-20-551 8911
La Traviata: Netherlands Opera production conducted by Ralf Weikert and directed by Alfred Kirchner; Oct 19, 22

BALTIMORE

EXHIBITIONS
Baltimore Museum of Art
Tel: 1-410-396 6310
A Grand Design: The Art of the Victoria and Albert Museum. First stop of a five-city North American tour of selected objects from the V&A's collection. Consists of 250 works of art ranging from Leonardo da Vinci's notebooks to shoes by Vivienne Westwood, presented in sections which address changes in the institution's collecting policy; to Jan 18

BARCELONA

EXHIBITIONS
Fundació Joan Miró
Tel: 34-3-329 1908
● **Joan Miró - Equilibrium in space:** selection of works by Miró dating from the 1960s onwards which aims to show the relationship of his work to oriental culture; to Nov 2
● **Sebastià Gasch:** centenary celebration of the avant-garde critic; to Oct 26

BASLE

EXHIBITIONS
Kunststiftung Basel
Tel: 41-61-271 0828
Peter and Samuel Birmann - Artists, Collectors, and Dealers: first major exhibition devoted to Peter Birmann and his son Samuel, the landscape painter, at the Kunstmuseum; to Jan 11

BERLIN

CONCERTS
Konzertsaal Tel: 49-30-203090
● **Berlin Symphony Orchestra:** conducted by Andreas Delfs in works by Britten, Handel and Shostakovich; Oct 18, 19
● **Berlin Symphony Orchestra:** conducted by Jerry Semkow in works by Glinka, Dvorák and Prokofiev. With violin soloist Alyssa Park; Oct 23, 24

OPERA
Deutsche Oper Tel: 49-30-34384-01
Der Fliegende Holländer by Wagner. Conducted by Christian Thielemann in a staging by Götz Friedrich; Oct 24

BILBAO

EXHIBITION
Guggenheim Museum Bilbao
Tel: 34-4-423 2799
The Guggenheim Museums and the Art of This Century: the new museum's inaugural exhibition features more than 300 works of modern and contemporary art from the Guggenheim's collections

BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-817 1200
Kunsthalle Bremen: selection of important works including paintings, sculptures and copper engravings from the collection of the Kunsthalle Bremen. Ranges from 17th century Dutch painting to modern photography; to Jan 11

BRUSSELS

OPERA
La Monnaie Tel: 32-2-229 1211
● **La Stelidaura Vendicantes:** by Francesco Provenzale. New production directed by Philippe Sireuil and conducted by Alessandro de Marchi; Oct 19, 21, 23
● **Otello:** by Verdi. New production conducted by Antonio Pappano in a staging by Willy Decker. Cast includes Susan Chilcott as Desdemona; Oct 18, 21

CHICAGO

EXHIBITIONS
Art Institute Of Chicago
Tel: 1-312-443 3600
● **A Collecting Odyssey:** Indian, Himalayan, and Southeast Asian Art



'Mademoiselle Legrand', 1875, by Pierre Auguste Renoir, one of the portraits by the artist on display at the Art Institute of Chicago

from the James and Marilyn Alsdorf Collection. Around 200 works of art, primarily Buddhist and Hindu sculpture spanning nearly 20 centuries; to Oct 26
● **Renoir's Portraits:** Impressions of an Age. Around 65 paintings spanning the artist's career, of subjects including Claude Monet and Madame Renoir. The show has been seen in Ottawa and will travel to Texas; from Oct 21
● **The Modern Midwest:** Landscapes: Gertrude Kuh and Franz Lipp. Examines the contrasting careers of these two Chicago-based landscape architects from the 1930s to the 1970s. Includes around 70 drawings and photographs; Kisho Kurakawa Gallery; to Nov 30

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
● **Idomeneo:** by Mozart. Conducted by John Nelson in a staging by John Copley; Oct 18, 22
● **Nabucco:** by Verdi. New production staged by Elijah Moshinsky and conducted by Bruno Bartoletti. Cast includes Maria Guleghina and Samuel Ramey; Oct 21, 24
● **Peter Grimes:** by Britten. Conducted by Mark Elder, making his Lyric Opera debut, in a staging by John Copley. Ben Heppner sings the title role; Oct 20

EDINBURGH

EXHIBITIONS
National Gallery of Scotland
Tel: 44-131-624 6200
The Portrait of a Lady: Sargent and Lady Agnew. "Lady Agnew of Lochnaw" by John Singer Sargent (1856-1925) is the centrepiece of this exhibition which includes more than 20 portraits by Sargent himself – including Ellen Terry and Ethel Smyth – as well as works by his contemporaries and memorabilia from his studio. The exhibition also presents something of Lady Agnew herself including pictures and photographs of her family; ends tomorrow

LONDON

CONCERTS
Barbican Centre
Tel: 44-171-638 8891
● **London Symphony Orchestra:** conducted by André Previn in works by Mozart and Beethoven; Oct 18
● **London Symphony Orchestra:** conducted by André Previn in a programme of works by William Walton. With violin soloist Alexander Barantschik, viola Paul Silverthorne and cellist Tim Hugh; Oct 23

DANCE
Labatt's Apollo, Hammersmith
Tel: 44-171-416 6082
The Royal Ballet: *The Sleeping Beauty*. Production by Anthony Dowell, with designs by Maria Björnson; Oct 18

EXHIBITIONS
Hayward Gallery
Tel: 44-171-261 0127
Objects of Desire: The Modern Still Life. Exploring 20th century developments of a 400-year-old genre, this show ranges from Picasso and Matisse to Oldenburg and Warhol; previously seen in New York; to Jan 4

National Portrait Gallery

Tel: 44-171-306 0055
● **Glenys Barton:** selection of ceramic heads and portraits by the British sculptor; to Jan 11
● **Sir Henry Raeburn (1756-1823):** previously seen in Edinburgh, this exhibition of some 60 paintings includes the major portraits belonging to the National Gallery of Scotland as well as loans from abroad; from Oct 24
● **The Pursuit of Beauty: Five Centuries of Body Adornment** – organised by the Education Department; this chronologically arranged exhibition traces the history of fashion through the art of portraiture, from the Elizabethan period to the present; to Oct 26

Royal Academy of Arts
Tel: 44-171-439 7438
Sensation: Young British Artists from the Saatchi Collection. Showcase of works by some 40 artists including Damien Hirst and Rachel Whiteread; to Dec 28

Tate Gallery Tel: 44-171-887 8000
● **Mondrian: Nature to Abstraction** – selection of 60 works loaned by the Gemeentemuseum in the Hague; to Nov 30
● **The Age of Rossetti, Burne-Jones and Watts: Symbolism in Britain 1860-1910.** Works by British artists including the pre-Raphaelites Rossetti and Burne-Jones are presented alongside those of European contemporaries such as Redon and Moreau. The show aims to demonstrate the powerful influence of Symbolism on British artists; to Jan 4
● **Turner on the Loire:** selection of watercolours, engravings, and a long lost oil which document the painter's tour of northern France in 1826, the climax of which was his journey up the River Loire; to Feb 15

OPERA
London Coliseum
Tel: 44-171-632 8300
English National Opera's new production of Janáček's *From the House of the Dead* opens on Monday, conducted by Paul Daniel and staged by Tim Albery. The programme is completed by *Twice Through the Heart*, by Mark-Anthony Turnage; Oct 20, 23

Shaftesbury Theatre
Tel: 44-171-379 8657
The Royal Opera: *The Merry Widow*, by Franz Lehár, in a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Oct 23

THEATRE
Barbican Theatre
Tel: 44-171-638 8891
The Ninagawa Company: in *Shintoku-Maru*, by Shuji Terayama, adapted by Ryo Kishida; Oct 18

National Theatre
Tel: 44-171-928 2252
● **An Enemy of the People:** by Ibsen, in a new version by Christopher Hampton. Directed by Trevor Nunn. Cast includes Ian McKellen; Olivier Theatre; in repertory
● **Chips with Everything:** by Arnold Wesker. Directed by Howard Davies and designed by Rob Howell; Lyttelton Theatre; in repertory
● **Othello:** by Shakespeare. Directed

by Sam Mendes and designed by Anthony Ward. David Harewood plays Othello, Claire Skinner is Desdemona; Cottesloe Theatre; in repertory
● **The Invention of Love:** the protagonist of Tom Stoppard's new play is the poet and classical scholar A. E. Housman, played by Paul Rhys and John Wood. Directed by Richard Eyre and designed by Anthony Ward; Cottesloe Theatre; in repertory

The Old Vic Tel: 44-171-928 6655
● **King Lear:** Peter Hall directs Shakespeare's tragedy for the first time, in a production based on the 1623 text with Alan Howard in the title role; in repertory
● **The Provok'd Wife:** Lindsay Posner directs Alison Steadman and Michael Pennington in Ventrone's comic take on sexual politics in Restoration England; in repertory

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
● **Los Angeles Philharmonic:** conducted by Esa-Pekka Salonen in Mahler's *Symphony No. 3*; Oct 18
● **Los Angeles Philharmonic:** conducted by Esa-Pekka Salonen in works Mozart and Beethoven, and the world premiere of a new work by Donatoni; Oct 23, 24

OPERA
L. A. Opera, Dorothy Chandler Pavilion Tel: 1-213-972 8001
Florence en el Amazonas: by Daniel Catán. Conducted by Roderick Brydon in a staging by Francesca Zambello. Cast includes Sheri Greenawald; Oct 18

MELBOURNE

DANCE
Melbourne Festival
Tel: 61-1800-338 998
New York City Ballet: Programme One includes *Interplay* by Jerome Robbins, *The Four Temperaments* by Balanchine and *Fearful Symmetries* by Peter Martins; at the State Theatre; Oct 18. Programme 2 includes *Donizetti Variations* and *Rubies* by Balanchine, and the *Barber Violin Concerto* by Martins; at the State Theatre; Oct 18, 19

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Prague Symphony Orchestra: conducted by Gaetano Delogu in works by Rossini, Brahms and Dvorák. With piano soloist Valéry Afanassiev; Oct 24

DANCE
Bayerische Staatsoper
Tel: 49-89-2185 1920
● **Bayerische Staatsballett:** *Romet and Juliet*. John Cranko's choreography is set to Prokofiev's score, with sets and costumes by Jürgen Rose; Oct 18, 19
● **Bayerische Staatsballett:** *Swan Lake*. Sets and costumes are by John Macfarlane; Oct 23

EXHIBITIONS
Haus der Kunst
Tel: 49-89-2185 1920

● **Ellsworth Kelly:** retrospective of the American abstract painter and sculptor, b. 1923, now in his 70s and one of the most distinguished living artists. Organised with the Guggenheim Museum and previously seen in New York, Los Angeles and London; to Jan 18
● **Joel Shapiro:** sculptures 1993-1997; from Oct 24
● **Juliao Sarmento:** display of recent works by the Portuguese painter; from Oct 24

Kunsthalle der Hypo-Kulturstiftung
Tel: 49-89-224 412
COBRA 1948-1951: organised to mark the 50th anniversary of a post-war group of experimental artists who derived their movement's name from their three cities of origin: Copenhagen, Brussels and Amsterdam; to Jan 11

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
● **Die Zauberflöte:** by Mozart. Conducted by Hans Drewanz in a staging by August Everding, with designs by Jürgen Rose; Oct 21
● **The Love for Three Oranges:** by Prokofiev. Conducted by Robert Abbado, in a staging by Juri Ljubimov; Oct 22, 24

NEW YORK

CONCERTS
Lincoln Center Tel: 1-212-721 6500
New York Philharmonic: conducted by Neeme Jarvi in works by Thomson, Tchaikovsky and Mendelssohn. With tenor Richard Clement and violin soloist Tasmin Little; Avery Fisher Hall; Oct 18, 21

EXHIBITIONS
Brooklyn Museum of Art
Tel: 1-718-638 5000
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Riviera in the 1880s, to Venice in 1908; to Jan 4

Guggenheim Museum
Tel: 1-212-423 3500
Robert Rauschenberg: major retrospective consisting of some 400 works spanning the artist's 50 year career. The exhibition begins at the Solomon R. Guggenheim Museum and continues at the Guggenheim Museum SoHo; to Jan 7. A special installation of *The 1/4 mile or 2 Furlong Piece* is at Ace Gallery New York; to Nov 9

Metropolitan Museum of Art
Tel: 1-212-879 5500
● **Picasso - The Engraver:** Selections from the Musée Picasso, Paris. Around 150 engravings, etchings and woodcuts created between 1900 and 1942; to Dec 21
● **The Private Collection of Edgar Degas:** sold at auction after his death in 1918, more than 200 19th century French paintings and drawings collected by the artist who once imagined establishing his own museum. Includes works by Ingres, Delacroix, and impressionists including Manet, with one room devoted to works by Degas himself; to Jan 11

Museum of Modern Art
Tel: 1-212-708 9480
● **Achille Castiglioni: Design!** First US retrospective of the Italian architect and designer; to Jan 6
● **Egon Schiele (1890-1918):** The Leopold Collection, Vienna. Around 150 works by the Austrian Expressionist, dating from 1905 through 1918; to Jan 4

● **From Henri de Toulouse-Lautrec to Andy Warhol: Exploring Techniques.** Selection of 70 woodcuts, etchings, lithographs and screenprints from the collection; to Feb 8
● **New Concepts in Printmaking 1:** Peter Halley - installation of technologically-derived works by the painter launches a series which aims to challenge conventional notions of printmaking; to Feb 8
● **On the Edge: Contemporary Art** from the Werner and Elaine Dannheisser Collection. More than 80 works by artists including Tony Cragg and Cindy Sherman; to Jan 20

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
● **Carmen:** by Bizet. Revival of a production by Franco Zeffirelli; Oct 21
● **Il Barbiere di Siviglia:** by Rossini. Revival of a staging by John Cox; Oct 22

● **La Cenerentola:** by Rossini. Met Opera premiere. New production conducted by James Levine in a staging by Cesare Lievi, with designs by Maurizio Balò; Oct 20, 24
● **Manon:** by Massenet. Revival of a staging by Jean-Pierre Ponnelle; Oct 18
● **Turandot:** by Puccini. Revival of a staging by Franco Zeffirelli; Oct 18, 23

New York State Theater
Tel: 1-212-870 5570
● **Don Pasquale:** by Donizetti. New York City Opera. New production, premiered at Glimmerglass, directed by Leon Major and conducted by Lucinda Carter; Oct 18, 23
● **Iphigénie en Tauride:** by Gluck. New York City Opera. Conducted by Jane Glover and directed by Francesco Zambello, with sets by Marina Draghici; Oct 18, 21, 24
● **La Traviata:** by Verdi. Revival of Renatta Scott's New York City Opera production, conducted by Emmanuel Joel; Oct 18

THEATRE
Bowling Lane Theatre, 330 Bowery
Tel: 1-212-677 0060
Rough Crossing: Jean Cocteau Repertory production of Tom Stoppard's musical farce, set aboard a steamship bound for New York

Century, 111 E. 15th St.
Tel: 1-212-239 6200
How I Learned to Drive: by Paula

Vogel. Mark Brokaw directs Molly Ringwald and Bruce Davison

Lucille Lortel, 121 Christopher St.
Tel: 1-212-239 6200
As Bees in Honey Drown: by Douglas Carter Beane. Directed by Mark Brokaw. Cast includes T. Scott Cunningham and J. Smith-Cameron

Minetta Lane Theatre
Tel: 1-212-420 8000
Gross Indecency: The Three Trials of Oscar Wilde. Written and directed by Moisés Kaufman, based on transcripts, letters and other writings. Michael Emerson plays Wilde

Plymouth, 236 W. 45th St.
Tel: 1-212-239 6200
Jekyll & Hyde: brought from Robert Louis Stevenson's page to the New York stage, and directed by Robin Phillips

PARIS

CONCERTS
Salle Pleyel Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Iván Fischer in works by Schubert, Mozart and Bartók. With piano soloist Richard Goode; Oct 22

DANCE
Opéra National de Paris, Palais Garnier Tel: 33-1-4343 9896
Paris Opera Ballet: in *Swan Lake*; Oct 18, 19, 21, 22, 23, 24

EXHIBITIONS
Grand Palais Tel: 33-1-4413 1717
Georges de La Tour: bringing together all but one of the 43 works now recognised as the work of the 17th century master, gradually recovered from obscurity since the last century. The display also includes numerous copies; to Jan 26

Jeu de Paume Tel: 33-1-4703 1250
Cesar: major retrospective of one of the most important French sculptors of the twentieth century. Tracing the different approaches and materials with which he worked, the exhibition includes almost 500 objects; ends tomorrow

Musée d'Art Moderne, Ville de Paris
Tel: 33-1-5367 4000
Gilbert & George: major retrospective of the British artists, comprising some 120 works and spanning their career from their meeting at St. Martin's School of Art in 1968 to the "Fundamental Pictures" of last year; to Jan 4

Musée du Louvre Tel: 33-1-4020 5151
● **A Mission to Persia 1897-1912:** display of pictures, objects and photographs retracing the archaeological expedition led by Jacques de Morgan, paying tribute to his career and the mission's discoveries about the ancient civilizations of Iran; to Jan 5
● **Etchings from the Low Countries:** display of 110 copper etchings dating from the 15th and 16th centuries. Includes works by Lucas de Layde and Dürer; to Jan 5

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
● **Aufstieg und Fall der Stadt Mahagonny:** by Kurt Weill. Conducted by Jeffrey Tate in a production directed by Graham Vick; Oct 18, 20, 23
● **Turandot:** by Puccini. New production by Francesca Zambello. Conducted by Fabio Luisi. With choreography by Alphonse Poulain and designs by Alison Chitty; Oct 21, 24

PORTO ALEGRE

EXHIBITIONS
Various venues
Mercosur Biennial of Visual Arts: retrospective of Latin American art comprising works by 200 artists from seven countries: Brazil, Uruguay, Argentina, Paraguay, Bolivia, Chile and Venezuela. Held in 11 locations around the city; to Nov 30

TOKYO

Bunkamura Museum of Art
Tel: 81-3-3477 9252
Photography in Paris 1905-1997: around 240 works by some 53 photographers, on loan from the Centre Georges Pompidou in Paris. Those represented include Man Ray and André Kertész; to Oct 26
Tokyo National Museum
Tel: 81-3-3822 1111
The Japanese Sword: Iron Craftsmanship and the Warrior Spirit. This display of 350 swords has been mounted to mark the 50th anniversary of an exhibition of swords held in 1947; to Nov 24

VENICE

EXHIBITIONS
Fondazione Giorgio Cini
Tel: 39-41-528 9900
Venice - from State to Myth: beginning with symbols of authority such as Caracciolo's great Winged Lion of St Mark and ranging across the centuries, this grand display concludes with several modern works; to Nov 30

VIENNA

EXHIBITIONS
Kunstforum der Bank Austria
Tel: 43-1-533 2266
Art and insanity: wide-ranging survey of the relationship between madness and the visual arts, from the Baroque to the modern; to Dec 8

KunstHausWien Tel: 43-1-712 0495
Herb Ritts: first European retrospective of work by the American photographer. Previously seen in Boston; to Jan 18

FT Arts Guide e-mail:
susanna.rustin@ft.com
Listings supplied by ArtBase, Amsterdam. Tel: 31-20-644 6441. E-mail: artbase@pi.net

GENERAL

John Westbrooke

Special

October 25

PINK SNOW

Paul Meakins

Weekend Investor

Wall Street

Sometimes, things don't make cents

But this week's setbacks don't signal another collapse, writes John Authers

Some people are never satisfied. Corporate America has been releasing its results for the third quarter this week, giving the market a comprehensive update on its progress. The trend is clear, with profits generally ahead of expectation.

But the market has not reacted as you might think. Companies which disappointed with their results have been punished severely, as would be expected. But, in many other cases, results that seemed good - a few cents better than analysts' projections - have also led to sales.

Intel, the world's largest silicon chip manufacturer and a bellwether for the entire high-technology sector, provided a perfect illustration of the former phenomenon. After the market closed on Tuesday, it announced third quarter profits equivalent to 88 cents a share - three cents below the analysts' consensus estimate of 91 cents.

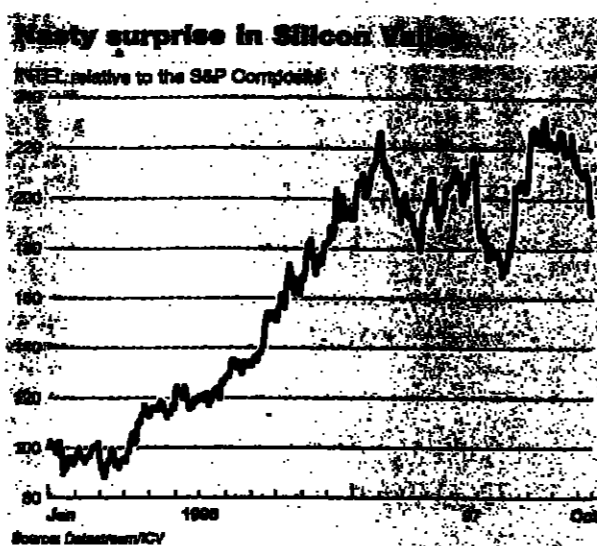
This was the first time Intel had fallen short of its consensus estimate since the end of 1996, and the result was nasty. It was the most actively traded stock on the Nasdaq market on Wednesday and fell 95¢, to \$64. It took the rest of the sector with it.

On Thursday, it was the turn of Merck, the pharmaceuticals giant. Its results were one cent below expectations and its shares went down 94¢ to \$97, a drop of 4.2 per cent.

But there were other cases where companies beat their forecasts and took a similar hammering. Compaq Computer, now the largest personal computer manufacturer, gained 33¢ on Wednesday, taking it to a new high of \$74. This represented a gain of more than 150 per cent for the year.

When Thursday dawned, Compaq duly unveiled better than expected results and a rosy sales forecast for the coming quarter. Its shares went straight back down again, dropping \$4 to \$78.

Several other companies surprised the market on the upside and saw their shares fall. These included the computer manufacturer Texas Instruments; the investment bank Merrill Lynch; Bank



America, the largest bank in California; and the paper companies International Paper and Weyerhaeuser. As a result, the stock market has sagged steadily throughout the week, with all the main indicators falling, in spite of economic news on inflation and retail sales which was generally positive. The Dow Jones Industrial Average opened the week at 8,045.21, climbed a little and then took a tumble on Thursday, slipping back down through the 8,000 level at 7,938.88. In morning trading yesterday it had slipped further, to below 7,900.

The Nasdaq Composite, particularly exposed to Intel, has fared worse. After opening the week at 1,739.03, it recorded successive falls through the week and was just above 1,676 in morning trading yesterday - one of its worst weeks of the year.

This, in turn, has evoked comparisons with the events of 10 years ago when the market also had a bad week and much worse followed. Tomorrow is the 10th anniversary of the Black Monday collapse after a weekend of jitter. It is, however, a big stretch of the imagination to paint this week's results as a signal that the Dow is set for another fall of more than 80 per cent.

With the market at its present high level, and still close to the all-time record, there is little margin for error in companies' valuations. So, falls in share prices may make sense even if results appear to be ahead of forecast.

Moreover, several companies have taken the chance to make extremely guarded forecasts for the next quarter, including Intel, Weyerhaeuser and Caterpillar. And the game of forecasting expectations has developed in the past few years, with investor relations staff determined to ensure that their companies do not provide a "negative surprise".

This means that they spend the last few weeks before the announcement trying to persuade analysts to reduce their estimates. Thus, earnings figures only marginally ahead of expectation often are sufficient cause to sell the stock.

As Larry Rice, chief investment officer of Josephthal Lyon & Ross in New York, puts it: "Wherever you have a market close to record highs, you have very little margin for surprises on the upside. So, if a company is only a penny above expectations, shares will go down."

Indeed, taking a judicious amount of profits when the market is near a record is more credible as a sign that dealers are determined not to allow a crash this time around. Rice is not alone in suggesting that this week's profit-taking is part of an orderly correction, not the beginning of a slide towards a crash.

Dow Jones Ind Average
Monday 8072.22 + 27.01
Tuesday 8098.29 + 24.07
Wednesday 8057.98 - 38.31
Thursday 7938.88 - 119.10
Friday

London

Do you take this company...

Philip Coggan hears corporate wedding bells

A man in love is incomplete until he's married. Then he's finished.

- Zsa Zsa Gabor

The sound of wedding bells drowned out the nervous chattering of teeth this week as the market's worries about interest rates took second place to a burst of merger mania.

Chief executives are rarely more happily engaged than when they are planning to merge with, or take over, their rivals, even though academic studies have cast much doubt on the benefits of acquisitions.

Empire-building is certainly a factor, as is the knowledge that the appropriate salary for the head of a \$2bn company is much larger than that of a \$1bn company.

But acquisitions also fulfil the need, partly created by the incessant questions of analysts and journalists, to

be seen to be doing something. It is easier to go out and acquire a business than to build it yourself. And, after years of cost-cutting, it might also be easier to find savings in someone else's company than in your own.

There are, of course, plausible strategic reasons for many deals - such as this week's merger between the financial services arm of BAT Investments and Zurich, the Swiss insurance group. This simultaneously achieved the long-awaited split between BAT's tobacco and financial interests, and made Zurich a global player in the financial services market. It was well received initially in the markets but enthusiasm, and the BAT share price, drifted off later.

The Reed Elsevier-Wolters Kluwer merger was another strategic deal, creating a global player in the publishing industry. The takeover bid for Red-

land by Lafarge of France - and, indeed, the agreed deal between Federal Mogul of the US and T&N - belong to a different category. In each case, the bid target has been made vulnerable by a specific problem - the German market for Redland, asbestos liabilities for T&N - which has given the predator the chance to expand in its industry.

The wave of mergers was not confined to the UK, including as it did a deal between a Swedish and a Finnish bank and a bid for a French insurer from an Italian conglomerate.

Many of these deals seem predicated on the idea that a single currency will create a single European market in which there will be much more opportunity to take advantage of economies of scale. Many industries have structures that make sense on a national basis but look fragmented on a Europe-wide assessment.



Mergers to match Zsa Zsa's husbands

For the markets, the deals not only cause share price rises in most of the companies concerned but prompt speculation about which other groups might attract bids. And, sure enough, there were rumours yesterday about Vodafone, no doubt inspired by thoughts of restructuring in the telecommunications industry following the increasingly complex bid battle for US group MCI (involving British Telecommunications, WorldCom and GTE).

All this activity (which included a breakthrough in the Guinness/GrandMet merger when French group LVMH dropped its opposition) normally would have heralded a bumper week for the UK market. It is a measure of investor nervousness that the FTSE 100 index gained only 44 points on the week.

Nervousness ahead of the 10th anniversary of the 1987 crash was one factor - markets are not the rational entities academics sometimes suppose - as was this Monday's launch of the stock exchange's new order-driven trading system.

The international background was a worry, too. Concern about a rise in US interest rates, following some strong economic numbers, had a knock-on effect on the Hong Kong market. Wall Street itself suffered the odd wobble, with the Dow Jones Industrial Average plunging 119 points on Thursday and another 80-plus points early yesterday.

After such a long bull run, world markets could face the

problem that all the news - low inflation, interest rates, company earnings growth - pointed to prices ahead of recent survey of market fund investors, highlighted in the New York Times, found they were expecting average annual returns over the next decade of 8 per cent.

While the main level of euphoria has been seen, it

London, the UK market's trading on a price-earnings ratio of more than 20, as measured by the new financial index. That is a level that has proved in the past to be a bit of a barrier to further progress.

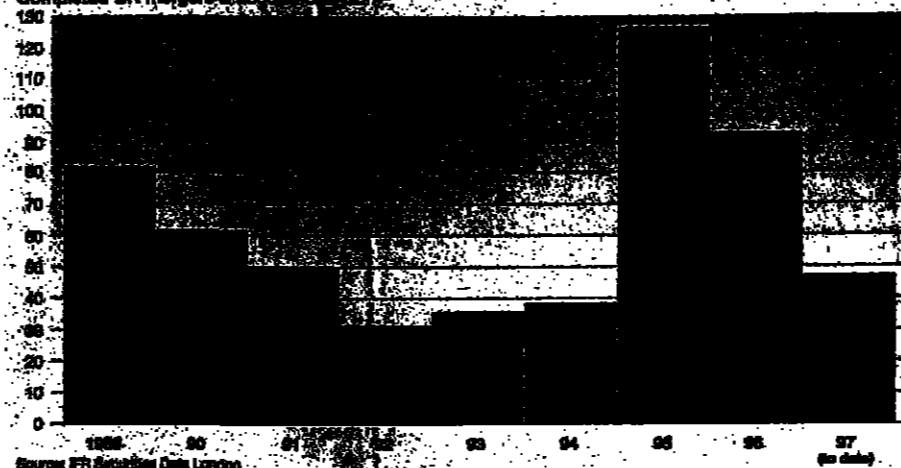
While the merger mania of this week could trigger memories of 1987, the economic conditions that prevailed then - sharply rising bond yields and inflation - are absent. Nevertheless, Richard Dingwall-Smith, of broker Sutherland, says most UK and overseas asset classes are expensive.

"Our projections now show enough of a fall in the UK equity market to produce a negative total return on a one-year view," he says. "Bonds offer a better prospect but could also produce returns inferior to cash."

He thinks Footsie could drop to 4,950 by the end of September 1998, a long way below the 8,000 target being touted by some bullish analysts. But then, there are almost as many views on the market as Zsa Zsa has had husbands.

Time for a new merger boom?

Completed UK mergers, £bn



Highlights of the week

	Price	Change	52-week	52-week
	£/share	on week	High	Low
FTSE 100 Ind	8071.43	+43.0	8330.2	7938.9
Aggregate	59.1	+3	59.1	29.1
Avile Europe	191.1	+13.1	191.1	124
BAT Ind	685	-34	824	411
BT	472.1	-28	505	345.1
Ena, China Clay	282.1	+23.1	282.1	189.1
GKN	1432.1	-36.1	1480	907
Grand Met	624.1	+50.1	634	425.1
Guinness	639	-82	697.1	424
HSE (750 shares)	1998	-95	2389.1	1218
Redland	342	-84.1	426.1	211.1
Reed Int	637	+105	648	508.1
Rugby Group	194.1	-2	195.1	91.1
Smiths Ind	917.1	-39	983.1	708.1
Standard Chartered	780	-54	1083.1	644.1

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Barry Riley

The combine harvesters

But the next step could be a demerger boom



It seems just like the old days. Takeover bids have been coming thick and fast this week, at the most rapid rate since the boom of the late 1980s. Is this a typical blow-off at the tail-end of a bull market, or should we believe the earnest assurances that there are solid new strategic reasons for the outbreak of mega-mergers?

True, there is an important cross-border emphasis to most of these big deals. The combinations are intended to increase global reach, cut costs and enhance shareholder value. But whereas the old key concept used to be "synergy", the new buzzword is "focus".

Within the UK, takeover bids peaked at £27bn in 1989 and dipped to as little as £5bn by 1992. Activity has surged again in the later 1990s. Even Continental Europe has caught the takeover bug, with the Italian insurer Generali making a hostile bid for ACF in France. But we should beware. While huge new combines are being put together, we have also seen told this week that the struggling W.H. Smith is to dispose of the Waterstone's book chain it bought during that old 1980s merger boom. The new spin-off strategy will, er, enhance shareholder value, we are assured. Sharp-eyed readers will spot a contradiction here.

There are fashions in takeovers, like everything else. Once, rambling empires were built, with tobacco companies owning insurance businesses and whisky companies deciding to go into pharmaceuticals.

Chairmen would patiently explain the need for three (sometimes more) "legs" to their groups, helping to smooth the earnings' cycle - although, paradoxically, they also aimed to "fire on all cylinders".

Takeover bids soon became self-justifying because each deal involving the issue of high-priced paper would enhance earnings and/or assets per share. Years later, the unmanageable

strength and self-confidence. It is they who want to control their diversification directly, through the stock market. The individual companies themselves must "focus" in order to fit neatly into slots in the portfolios. So, this week, BAT Industries decided to sell its financial services arm to the Zurich insurance group.

Global investors are increasingly restructuring their international funds according to

shareholder's interests through over-generous bids is not such a common problem as it used to be in, say, the 1970s.

Smaller companies are less favoured, though. Years ago, they were often the raw material for the conglomerates. Today, they are left out in the cold while the stock market's giants prey on each other (in the process, reducing the availability of big company equities) before floating off their misfitting fringe businesses as new smaller companies.

(Increasing this over-supply in that sector). The number of UK bids has dropped by two-thirds since the late 1980s, although the total value is much the same.

The puzzle remains, however, why do these takeover manias always happen at the top of the market? Surely buyers would not think, would they, that prices were low. Of course, the bull market, investors are predisposed to get carried away positively. Money is plentiful, and supreme skills are, they may simply be pushed into joining the scramble. But if that is the case, why have the small, misfitting companies not been bought up by now?

The next stage could be a demerger boom, involving more than just the odd floundering bookshop chain. Investors will doubtless think that is a wonderful idea, too. Investment bankers certainly will.

Whereas the old key concept used to be 'synergy', the new corporate buzzword is 'focus'

empire would stumble and "reverse into cash", but not before fortunes had been made. By the 1980s, the concept of the conglomerate had been fine-tuned in the UK by the likes of Lord Hanson and Sir Owen Green. A steadily rising stream of earnings and dividends could be conjured from ingested corporate raw materials.

Everything from fishmeal companies to brickmakers could be stirred into the pot. Eventually, though, it became clear that making the assets sweat in this artificial way was destroying shareholder value rather than creating it. Hanson BTR, Green's creation, is about to reinvent itself as a coherent engineering group.

Shareholders, rather than management theorists, have been driving much of this. In recent years, the big investment institutions have gathered

industries (called sectors) rather than countries. This gives expansionist managements a better chance to gain shareholder support for cross-border mergers.

The focusing concept, however, is flawed. Look, for example, at retail banking (which, anyway, includes several different businesses, ranging from savings accounts and credit cards to portfolio management and long-term investment products). The point is that the future might well bring convergence between banking and other sectors such as telecommunications and the media. It would be unfortunate if the chosen format of institutional funds were to inhibit such developments.

An important positive change, however, is that total executive remuneration is linked strongly to share prices, through stock options, so that the dilution of

Offshore managed funds and UK managed funds are listed in Section One

مكتبة الكتب

Directors' share dealings

Transactions in own companies October 8-10, 1987

Company	Sector	Shares	Value £'000	No of directors
SALES				
ASDA Group	RatF	255,200	396	1
Bank of Scotland	RatF	18,042	83	2
CLG Holdings	Prop	1,300,000	1748	2
Filtronic Comtek	Prop	80,000	381	1
Fluorid Group	Dist	1,500,000	5100	1
Fluorid Group	Dist	25,000	78	1
Fluorid Group	Dist	8,560	16	1
Fluorid Group	Dist	315,000	1166	2
Fluorid Group	Dist	20,714	167	1
Fluorid Group	Dist	50,000	163	1
Fluorid Group	Dist	1,000,000	685	1
Fluorid Group	Dist	781,882	1228	2
Fluorid Group	Dist	33,095	237	1
Fluorid Group	Dist	2,434,558	2676	1
Fluorid Group	Dist	249,902	667	2
Fluorid Group	Dist	25,000	26	1
Fluorid Group	Dist	400,000	1780	2
Fluorid Group	Dist	150,000	408	2
Fluorid Group	Dist	25,666	172	1
PURCHASES				
ASCO Holdings	Dist	100,000	279	1
ASCO Holdings	Dist	100,000	60	1
ASCO Holdings	Dist	40,000	15	3
ASCO Holdings	Dist	21,794	116	4
ASCO Holdings	Dist	18,500	20	1
ASCO Holdings	Dist	8,371	18	1
ASCO Holdings	Dist	48,000	36	1
ASCO Holdings	Dist	500,000	82	1
ASCO Holdings	Dist	10,000	26	1
ASCO Holdings	Dist	10,207	38	1
ASCO Holdings	Dist	9,000	19	1
ASCO Holdings	Dist	600,000	60	1
ASCO Holdings	Dist	45,000	57	2
ASCO Holdings	Dist	300,000	42	1
ASCO Holdings	Dist	5,000	24	1
ASCO Holdings	Dist	1,000,000	2166	1
ASCO Holdings	Dist	25,000	26	1
ASCO Holdings	Dist	200,000	57	1
ASCO Holdings	Dist	18,529	45	7
ASCO Holdings	Dist	10,000	22	1
ASCO Holdings	Dist	45,000	28	2
ASCO Holdings	Dist	52,000	16	2
ASCO Holdings	Dist	295,000	59	3
ASCO Holdings	Dist	140,000	116	2

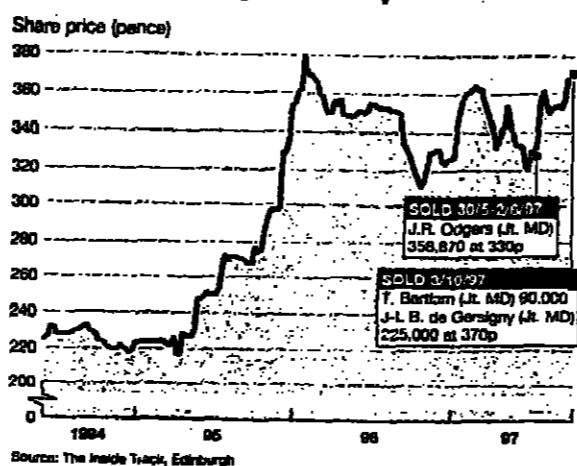
Last week's interim results

Company	Sector	Year	Pre-tax profit (£'000)	Interim dividend per share (p)
ASCO Holdings	Dist	Sept	(-)	2.45 (2.25)
ASCO Holdings	Dist	Jan	1,400 (3,870)	(-)
ASCO Holdings	Dist	Jun	1,750 (2,350)	2.4 (2.4)
ASCO Holdings	Dist	Jun	773 (534)	0.8 (0.78)
ASCO Holdings	Dist	Jun	190 (75)	(-)
ASCO Holdings	Dist	Jun	727 (541)	0.15 (-)
ASCO Holdings	Dist	Jun	3,240 (2,940)	2.3 (2.1)
ASCO Holdings	Dist	Jun	328 (414)	(-)
ASCO Holdings	Dist	Jun	5,400 (16,200)	(-)
ASCO Holdings	Dist	Jun	3,688 (4,728)	4.4 (4.4)
ASCO Holdings	Dist	Jun	580 (822)	(-)
ASCO Holdings	Dist	Jun	435 (272)	(-)
ASCO Holdings	Dist	Jun	1,730 (222)	(-)
ASCO Holdings	Dist	Jun	4,460 (5,988)	4.5 (4.5)
ASCO Holdings	Dist	Jun	4,270 (5,110)	1.15 (1.1)
ASCO Holdings	Dist	Jun	1,740 (2,310)	1.2 (-)
ASCO Holdings	Dist	Jun	116.38 (114.14)	1.0 (0.8)
ASCO Holdings	Dist	Jun	1,340 (1,900)	3.3 (3)
ASCO Holdings	Dist	Jun	183.92 (153.97)	1.5 (1.25)
ASCO Holdings	Dist	Jun	581 (814)	1.125 (1)
ASCO Holdings	Dist	Jun	38.48 (60.79)	3.3 (3.2)
ASCO Holdings	Dist	Jun	885 (821)	0.05 (-)
ASCO Holdings	Dist	Jun	95.83 (95.83)	1.0 (-)
ASCO Holdings	Dist	Jun	480 (408)	(-)
ASCO Holdings	Dist	Jun	898 (469)	(-)
ASCO Holdings	Dist	Jun	46 (1,710)	(-)
ASCO Holdings	Dist	Jun	1,100 (1,240)	1.5 (1.5)
ASCO Holdings	Dist	Jun	73,200 (66,100)	5.7 (5.2)
ASCO Holdings	Dist	Jun	324 (778)	(-)
ASCO Holdings	Dist	Jun	376 (853)	(-)
ASCO Holdings	Dist	Jun	5,270 (57)	(0.25)
ASCO Holdings	Dist	Jun	7 (-)	7.35 (1.3)
ASCO Holdings	Dist	Jun	610.5 (891.1)	(-)
ASCO Holdings	Dist	Jun	508 (267.1)	(-)
ASCO Holdings	Dist	Jun	7 (-)	1.66 (1.54)
ASCO Holdings	Dist	Jun	758 (804)	0.6 (0.8)
ASCO Holdings	Dist	Jun	550 (840)	1.575 (1.575)
ASCO Holdings	Dist	Jun	2,720 (2,080)	(-)
ASCO Holdings	Dist	Jun	4,330 (4,010)	2.75 (2.75)

Last week's preliminary results

Company	Sector	Year	Pre-tax profit (£'000)	Interim dividend per share (p)
ASCO Holdings	Dist	Jun	112.34 (101.58)	1.01 (0.57)
ASCO Holdings	Dist	Jun	81.83 (82.74)	11.07 (-)
ASCO Holdings	Dist	Jun	41,200 (11,000)	4.27 (-)
ASCO Holdings	Dist	Jun	14,100 (10,000)	(0.3)
ASCO Holdings	Dist	Jun	882.3 (-)	(-)
ASCO Holdings	Dist	Jun	8,750 (2,370)	19.05 (15.33)
ASCO Holdings	Dist	Jun	82,200 (142,800)	(-)
ASCO Holdings	Dist	Jun	38,700 (31,100)	24.70 (18.58)
ASCO Holdings	Dist	Jun	152 (880)	4.5 (3.3)
ASCO Holdings	Dist	Jun	3,680 (2,000)	2.87 (2)
ASCO Holdings	Dist	Jun	16,700 (2,730)	66.46 (67.85)
ASCO Holdings	Dist	Jun	23,100 (37,100)	21.8 (20.7)
ASCO Holdings	Dist	Jun	25,200 (16,200)	17.4 (11.8)
ASCO Holdings	Dist	Jun	10,800 (7,840)	33.2 (24.7)
ASCO Holdings	Dist	Jun	110 (59)	19.8 (8.43)
ASCO Holdings	Dist	Jun	110 (100)	4.81 (4.88)
ASCO Holdings	Dist	Jun	308.57 (182.42)	9.45 (8.22)
ASCO Holdings	Dist	Jun	4,370 (3,200)	36.39 (28.97)
ASCO Holdings	Dist	Jun	603 (1,040)	16.2 (26.4)
ASCO Holdings	Dist	Jun	1,200 (231)	(-)
ASCO Holdings	Dist	Jun	718 (-)	4.5 (-)
ASCO Holdings	Dist	Jun	49,800 (42,200)	33.34 (22.7)
ASCO Holdings	Dist	Jun	125.4 (81.4)	11.5 (13.7)
ASCO Holdings	Dist	Jun	101,800 (170,400)	43.2 (38.9)
ASCO Holdings	Dist	Jun	7,700 (1,320)	18.1 (2.5)
ASCO Holdings	Dist	Jun	11,200 (8,800)	6.42 (5.92)
ASCO Holdings	Dist	Jun	1,400 (2,100)	(-)
ASCO Holdings	Dist	Jun	1,000 (887)	4 (2.5)

Intermediate Capital Group



The largest sale of the week was at Verity, the loudspeaker manufacturers, where Farad Azima, chief executive, sold 1 million shares at 68.5p, for personal reasons. Azima is due to replace Sir Gordon Brumton as chairman at the AGM next month.

At J N Nichols (Vimto), the soft drinks manufacturer, Peter Nichols, managing director, bought 1 million shares at 216.5p, taking his holding to 4.4 million. This is a major investment and follows a strong set of interim results in August, which showed a 17 per cent increase in earnings to 7.5p.

Current takeover bids and mergers

Company	Value of bid (£'m)	Pre bid price	Value of bid (£'m)	Value of bid (£'m)	Value of bid (£'m)
Applyord	80	78 1/2	66	53.28	Jrds Int. Mtr
Bruntcliffe Aggs	37 1/2	35	39	20.14	Emulation
Dwyer Estates	70	68 1/2	68 1/2	24.59	Park St. Props
GrandMet (A)	631	631	515	23,000	Salmon
Harris (Ph)	308	267 1/2	240 1/2	34.19	Harvard
INSTEK	210	205	205	9.87	Melale
Interstate Telecom	74	70	53 1/2	24.64	Shaker
Kingstony	287	204	173 1/2	53.20	H&C
M&W	250	253 1/2	174 1/2	42.84	T&S Stores
Marling Inds	17	16 1/2	10	31.00	Autobus AS
Peak	80	78 1/2	42	97.92	Thermal Power
Radland	320	342	257 1/2	1,670	Lafarge
T&N	280	256	253 1/2	1,390	Federal-Mogul
W&W	41 1/2	41 1/2	41 1/2	6.54	Brown & Jackson
Woodchester Uds(A)	283	237 1/2	240	574.44	GE Capital Corp

Prices in pence unless otherwise indicated. All cash offers. \$ for capital not already held. 1 Unconditional. 2 Based on lunchtime prices 17/10/87. 3 55 shares and cash. 4 Cash alternative. 5 Merging to form GMS Brands. 6 Irish currency.

Results due next week

Company	Sector	Announcement date	Last year interim	Final	This year interim
FINAL DIVIDENDS					
Active Computer	Dist	Thursday	-	-	1.8
Botson	Dist	Tuesday	-	-	0.2
Carlton Athletic	Dist	Tuesday	-	-	-
Creston Land & Estates	Prop	Monday	-	-	-
Int. Biotech	Dist	Monday	-	-	-
Lady in Leisure	Dist	Wednesday	-	-	-
Peterson Zochonis	Dist	Tuesday	2.65	13.25	5.5
Scottish Metro. Prop	Prop	Tuesday	1.1	1.55	1.2
Westcoast Group	Eng	Wednesday	0.3	0.7	0.4
INTERIM DIVIDENDS					
Alford Securities	Engl	Tuesday	2.0	6.0	-
Bosman Int	PPRP	Friday	0.81	2.1	-
Dana Petroleum	ONE	Wednesday	-	-	-
David Brown	Eng	Tuesday	2.65	5.75	-
Granplan Hids	R&G	Wednesday	1.95	4.05	-
Harvey Nash	Spv	Monday	-	-	-
ICI	Chem	Thursday	12.5	19.5	-
Incepta Group	Med	Tuesday	-	-	-
Lumina	Brns	Thursday	2.33	4.57	-
Ocean Wilsons (Hids)	Dist	Tuesday	1	3.75	-
Over Ashworth	Dist	Tuesday	-	-	-
Owen & Robinson	R&G	Monday	-	-	-
Saton Healthcare	Wh	Monday	2.7	6.1	-
Smithline Becham	Pharm	Tuesday	1.78	5.7	2.45

*Dividends are shown net of tax per share and are adjusted for any intervening scrip issues. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. 1st quarterly, 2nd quarterly, 3rd quarterly. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements. 4 Gross Dividends shown.

Offers for sale, placings & introductions

Bovis Homes is coming to the market via a placing. Northern Recruitment Group is to raise £1.35m net via a flotation.

The week ahead

MONDAY: Seton Healthcare is expected to reveal interim pre-tax profits of £9.1m (£7.9m) before exceptional charges - which could be between £2m and £3m - to cover the costs of the £21.7m acquisition of ThackrayCare in May. Brokers are looking for a dividend increase to about 2.5p (2.7p).

TUESDAY: SmithKline Beecham's third quarter results could show the company breaking through £400m pre-tax profit (£374m) and £28m in sales (no change) for the three months.

If it fails to hit those targets, analysts will be hunting for the culprit among the exchange rate hits and the rising costs of research

development and marketing. If it beats them, it is likely to be the result of strong growth in sales of Serostat, an anti-depressant, and Augmentin, an antibiotic.

TUESDAY: A strong US economy is expected to have lifted pre-tax profits at Wolseley, distributor of heating and plumbing equipment, to between £260m and £265m (£242.9) in the year to end-July.

TUESDAY: The market will want to see how Bormore International, the Northern Ireland-based packaging group, has coped with intense competition in the sector and the strong pound when it reports its interim.

Bids/deals

Zurich, BAT in £23bn merger

Zurich, the Swiss-based financial services group, and BAT Industries revealed plans for a £23bn merger, uniting Zurich with BAT's insurance and asset management arms, will create Europe's second-biggest insurance company.

The UK's Reed International is set to become part of an international publishing combine with its headquarters in the Netherlands after a £200m merger agreed between Elsevier, its partner since

1993, and Wolters Kluwer, a domestic rival. The new group will be the world's biggest supplier of professional and scientific information, with combined sales which last year would have reached £5bn.

Federal-Mogul, the US automotive engineer, finally leveraged agreed takeover of its larger UK rival, T&N. Its £1.5bn cash offer is 20 per cent higher than its initial bid approach three weeks ago, but some of T&N's shareholders said the 280p per share bid was not high enough.

W.H. Smith announced plans to spin off its Waterstone's books subsidiary and sell the group's two music chains, Virgin-Our Price in the UK and The Wall in the US. The plans were an unexpectedly radical riposte to Tim Waterstone, who earlier in the week presented Smith with revised plans to give cash and shares to shareholders. After they were rejected, Waterstone said he did not intend to pursue a bid.

BYR made an agreed \$650m (£261m) bid for Exide Electronics, a US-based

manufacturer of power supply systems. The offer trumped an earlier bid for Exide from Danaher Corporation of the US. The UK group is offering \$29 a share, compared with the \$22 a share tabled by Danaher.

Lafarge of France, the world's second-largest cement manufacturer, launched a £1.6bn hostile bid for Redland, the beleaguered UK tiles and aggregates company. The 320p a share offer comes after six years in which Redland's shares have lagged the market by 75 per cent.

In the Pink

Learning the lessons of the Crash of the Century

But 1987 was nothing special when viewed in a different perspective, argues David Schwartz

Exactly 10 years ago, investors were left dizzy by a stomach-churning drop in the London stock market. Shares fell 20 per cent in just two trading days. Is there any wonder, then, that the mere mention of the October 1987 crash fills most investors with dread?

But when 1987 is viewed within a broader historical context, a different perspective emerges. Speed aside, there was really nothing very special about it.

A second important lesson from history is that bear markets are getting shorter. In the first-half of this century, most of them ran for three or four years. Now, they often run their course in just a few months - which leaves investors with little time to get out of the way.

In terms of size, history provides several clues to help us anticipate the size of a coming bear market. On the upper end of the range are mega-drops that slam prices by over 50 per cent.

price increases and very high inflation. It was a time of no-growth in real terms, disguised by rapidly rising prices: what came to be known as stagflation.

UK investors were faced with the added burden of a Labour government that was believed widely to be anti-business and anti-wealth. This combination of international and local pressures was lethal. Shares finally bottomed out dropping 78 per cent, the UK's worst bear market.

the lessons from the past are clear. If all three critical ingredients - recession, abnormal retail price shifts and frightening political or social problems - are not in the mix, the odds are high that the downturn will be of lower intensity. With this in mind, and given present economic and political conditions, the chance that the next downturn in the UK will be of mega-proportions is low.

The remaining 16 bear markets that Britain has experienced since the first world war fit neatly into two groups: small drops of 15 to 25 per cent and medium-sized drops above 25 per cent. And history provides investors with a remarkably simple perspective that helps to forecast the category in which an up-coming bear market is likely to be.

History shows that momentum can carry shares higher for many months after important warnings start flashing in the final stages of a bull market advance. In 1987, alarm bells rang early in the year

At the bottom end are minnows that drop shares by 15-35 per cent. In the mid-ground are declines of average intensity, such as the decline in 1987.

Each of the four mega-drops that UK investors have endured since the first world war were associated with three identical problems:

- An economy in recession, or about to enter one.
- Frightening political or social events causing many to fear for the survival of basic British values and institutions.
- Highly abnormal retail price increases or decreases, well outside the normal range.

There was a different inflation twist in 1938-39, the period of the Great Depression. UK investors of that era were victims of an amazing economic boom in the US. Vast sums of money were attracted to Wall Street, forcing up UK interest rates and throwing the British economy into recession.

